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1938

THE SENATE OF CANADA

Parliament

IV



[Committees]

PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

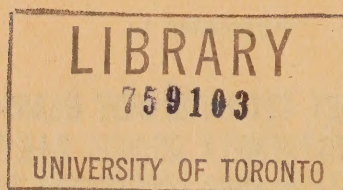
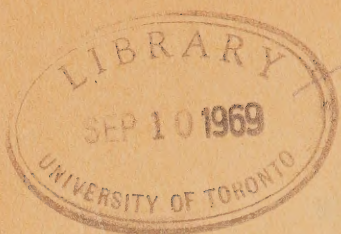
ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 1

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

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Preliminary discussion



ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, April 6, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

The CLERK of the COMMITTEE: Honourable senators, the first order of business is the appointment of a Chairman of this committee.

Hon. Mr. HAIG: I have much pleasure in nominating the Right Honourable George P. Graham.

The CLERK of the COMMITTEE: Is it your pleasure to adopt the motion?

Hon. Mr. DANDURAND: I had in mind suggesting a joint chairmanship. I consulted my friend Senator Meighen, and he thought we should appoint Senator Beaubien and Senator Graham. I have also been thinking of Senator Black.

Hon. Mr. BLACK: I have much pleasure in nominating Senator Beaubien as joint Chairman with Senator Graham.

The motion, as amended, was agreed to.

Hon. Mr. DANDURAND: I have another suggestion to make. It is that Mr. Yates, who has been released as joint Secretary of the Duff Commission, and who has a fund of knowledge of railway matters, should be joint Secretary with Mr. Hinds. I think we should arrange to have him devote some time to giving the Chairmen and this Committee the main information which we need. I would move that Mr. Yates and Mr. Hinds be appointed joint Secretaries.

Right Hon. Mr. MEIGHEN: Carried. I had not heard of it before, but I think that is all right.

Hon. Mr. DANDURAND: I have another proposal. We shall have to test co-operation as we have it under the Act of 1932-33, what it has done, what it is in the making and what it can effect, and then we shall have to test the formula of unified management, which is Sir Edward Beatty's pet child. I expect we shall have a number of gentlemen come here before us, and I admit that I am not ready to start testing their statements and bringing out facts. You will realize that I have not the time to do that, and I doubt very much if Senator Meighen has. I mentioned to him last evening my thought that we should have somebody who will bring out the facts, as we want them brought out, concerning these two matters. I had the names of a number of counsel, and I came upon one who stands high in the community and at the Bar, one whom we know, a gentleman who lives here, Colonel Biggar—it seemed to me he would be a good one to represent us, so that we might not all step in and put questions in a haphazard way. Colonel Biggar would test all statements made, and bring out facts. I should be glad to have your opinions on that suggestion.

Right Hon. Mr. MEIGHEN: I have not spoken to our own Law Clerk, Mr. O'Connor, and I have a little hesitation in mentioning his name because of that, but it has occurred to me since Senator Dandurand came in that possibly Mr. O'Connor could do this work and save us a great deal of additional expense. There is no abler counsel, as we all agree. I have a very high opinion of Colonel Biggar as counsel, but if it were possible for Mr. O'Connor to do the work it would be thoroughly satisfactory to me, and I am sure it would be to the rest of us.

Hon. Mr. DANDURAND: I confess that I did not think of Mr. O'Connor, inasmuch as he has considerable work and if he were appointed as counsel for the Committee we should have to expect him to give preference to these new duties. And in looking around for someone else I thought of Colonel Biggar, who enjoys a very high esteem among honourable members and at the Bar. The proposal to ask Mr. O'Connor to act is one about which we should have to confer with him.

Mr. W. F. O'CONNOR, K.C.: If I may speak now I would say that I should much prefer not to be appointed as counsel, because if I were I could not give the usual attention to other business of the Senate. But I should not refuse if I were appointed and if I could be released from responsibility as to other affairs. I welcome any opportunity to serve the Committee, but I really do not think my appointment would be advisable, if other business of the Senate is to be done as it should be.

Hon. Mr. BLACK: Mr. Chairman, I would make a suggestion. It is this that since we are not going to get down to business until after the coming adjournment, the Committee should authorize engagement of counsel, and leave selection of that counsel to Senator Dandurand and Senator Meighen.

Hon. Mr. CALDER: My suggestion would be along the same line, but I would join the two leaders with the two Chairmen. However, that is a mere detail. The matter will require a little thought—it should not be done hurriedly—and it seems to me that a small committee to make the selection would be best.

Hon. Mr. HARDY: I think that Senator Black's suggestion is a very good one. Those of us who are on the Banking Committee, and others who attended sittings of that Committee when the Copyright Bill was being discussed, will all agree with what our leader has said about Colonel Biggar; I think that with regard to that Bill he made probably the best presentation by counsel that I have ever heard.

Hon. Mr. DANDURAND: I should like some expressions of opinion, because if there is a consensus in favour of any one counsel we ought to appoint him now. I will state why. Colonel Biggar, or whoever is chosen, will have to familiarize himself with the whole aspect of the situation. I would suggest that he first begin by reading the speech of Senator Beaubien—I am too modest to suggest that he should read mine. I believe we should have to ask him to take time during the Easter recess to study the question and prepare himself. So I should like to have the Committee's opinion on my proposal.

Hon. Mr. CALDER: Have you an assurance that he would act?

Hon. Mr. DANDURAND: I have not asked him.

Hon. Mr. CALDER: There is no question about his ability.

Hon. Mr. ROBINSON: I agree with the suggestion of Senator Calder that the selection should be left with the two leaders and the two Chairmen.

Hon. Mr. COTE: They know that we have a very high regard for Colonel Biggar.

Hon. Mr. MURDOCK: I think that Colonel Biggar would be a very fine choice. The first time I ever met him was in 1915, at Edmonton, when he was Chairman of a board of investigation, under the Lemieux Act, investigating the railway situation. He had then, as I thought, a pretty fair knowledge of railway conditions and employment, and I am quite sure that he has absorbed very much additional information since that time.

Hon. Mr. DANDURAND: I should feel very much relieved if I knew that someone would be here to do the testing of all the statements which will be made, and I have an impression that Senator Meighen himself would also feel relieved.

The CHAIRMAN (Right Hon. Mr. Graham): The two Chairmen feel quite content to leave the matter of selection to the two leaders.

Right Hon. Mr. MEIGHEN: All right.

The CHAIRMAN (Right Hon. Mr. Graham): Carried.

Hon. Mr. DANDURAND: The regular quorum of this Committee would be eleven. I think we should not reduce it, that we should make a point of having at least eleven present. I hope the Committee will be attended as faithfully as possible by all members.

Right Hon. Mr. MEIGHEN: Quite so.

Hon. Mr. HARDY: I would move that the quorum be eleven, if that is necessary.

Hon. Mr. DANDURAND: I am told that no motion is necessary, because it follows as a matter of course.

The CHAIRMAN (Right Hon. Mr. Graham): No motion is necessary unless you wish to reduce or increase the regular quorum.

Hon. Mr. BLACK: Mr. Chairman, I suggest that every member of the Committee be furnished with a copy of the Duff Report. We shall have to start our investigation with some definite point, and it seems to me that if we use the Duff Report as a background we should at least have a beginning.

Hon. Mr. DANDURAND: I do not know how many copies of that report are still on hand but I will find out, and if there are twenty copies available we will secure them.

Right Hon. Mr. MEIGHEN: I should think it would be wise to agree now to make that report as our starting point. We shall never have time to go back to the birth of our railway problem and follow it up with the thoroughness displayed by the Duff Commission, unless we sit for two or three sessions. In suggesting the Duff Report be taken as our starting point, I do not mean we should accept everything in it as the law and the gospel for evermore; but that, subject to any criticism made by witnesses or to anything proved wrong in the report, we start there and follow the situation through to find out—what has been done under the legislation passed to implement the Commission's recommendations, and why more has not been done to that end; what is the judgment of the best men we can get here on the basis of the facts set out in the report as to whether a better method can be adopted in the interests of Canada of managing our railway affairs, and the reasons for that judgment. I am not trying to tie every member down to every sentence of the Duff Report but I think it is generally accepted, irrespective of party, as a very thorough piece of work.

The CHAIRMAN (Right Hon. Mr. Graham): It would be a basis.

Right Hon. Mr. MEIGHEN: Yes.

Hon. Mr. DANDURAND: I will try to get copies of the report.

Hon. Mr. MURDOCK: Are we going to decide this morning on what questions we are to ask?

Right Hon. Mr. MEIGHEN: No; only general principles.

Hon. Mr. MURDOCK: I have one thought to place before the committee. A few years ago we adopted the Canadian National-Canadian Pacific Act. I understand that even to-day under the plan of co-operation there laid down the Canadian National and the Canadian Pacific are charging each other demurrage on cars used by one railroad and belonging to the other. For instance, if half a dozen cars go off the Canadian Pacific at, say, Sherbrooke down to the Asbestos Mines or to load lumber, \$1 a day demurrage is charged until those cars are returned to the Canadian Pacific. I am not sure but what in the long run the charges are about equalized between the two systems; but it seems to me that the clerical work involved to maintain car records is an unnecessary and an unfair load on the railways of Canada. On this and other matters I think we should get full information.

The CHAIRMAN (Right Hon. Mr. Graham): I think the parties who will be asked to come here should be prepared to answer all such questions.

Hon. Mr. MURDOCK: I mention that case because it will take a lot of digging into the files to find out the full record. I think it must look illogical to the public to have under a co-operative arrangement our two great railway systems charging each other \$1 a day for the use of each other's cars.

Hon. Mr. DANDURAND: I cannot pronounce on the merits of that agreement between the two railways. Doubtless we can secure full information from the officials when they appear before us.

I suggest now that we discuss the desirability of printing our proceedings.

Hon. Mr. ROBINSON: Mr. Chairman, I have a copy of the Duff Report, and probably a good many other members have retained their copies.

Hon. Mr. HORSEY: I have one.

Hon. Mr. ROBINSON: It may not be necessary to get many extra copies.

It was duly moved, and seconded, that the proceedings of the committee be reported and printed, 800 copies to be furnished in English and 200 in French.

The CHAIRMAN (Hon. Mr. Beaubien): May I now submit to your consideration, gentlemen, this suggestion. We are going to be absent from Ottawa for about a month. During that time don't you think the witnesses to be called before this committee should have time to prepare themselves, so we shall not have to wait for them later on? Don't you think we should ask witnesses to come in the turn in which we desire to have them appear, and that we should notify them accordingly?

For instance, don't you think that Mr. Beatty—or Mr. Hungerford, if you prefer—should be called here and asked to give evidence on the following points:—

(1) Is it true or is not true that on the prices and conditions in 1930 \$75,000,000 or \$56,000,000 could be saved?

(2) How much of that sum has been saved?

(3) Why has not more been saved?

(4) How much more could be saved under the present system, and under the system recommended by Mr. Beatty?

If we sent a questionnaire along those lines to both railway companies, intimating that we should like to have their representatives here at the date we fix, they would have one month in which to prepare themselves, and this would avoid any delay when the committee resumes after the Easter recess.

Hon. Mr. MURDOCK: Mr. Chairman, it seems to me that one of the first things this committee should do is to ascertain why Canada has not been more successful in the co-operative arrangement authorized by Parliament two or three years ago. In order to secure that information, it seems to me we should not rely on Sir Edward Beatty or Mr. Hungerford, but on the sworn affirmations of those members of the joint co-operative committee from each railroad.

I have in mind one particular instance. Two or three years ago it was said there was going to be joint operation of the Canadian National and the Canadian Pacific from the asylum switch just this side of London to Windsor with utilization of the Canadian National station at London. That proposal fell through. I think we should know why it fell through. I do not think we can ascertain that better than by placing on record statements by members of the joint co-operative committee from both the Canadian Pacific and the Canadian National, in the hope and expectation that they will tell us the concrete facts and truths. There are all kinds of rumbles and rumours current as to why co-operation has not been made effective. We should be able in some way to get that direct information before this committee. Heretofore it has all been hearsay, the hearsay being on the part of one side that the other fellow wanted all the cream. We ought to know what there is to it.

Hon. Mr. DANDURAND: If we start by asking Sir Edward Beatty and Mr. Hungerford to express their views, shall we not hamper the officials under them—

Hon. Mr. MURDOCK: Of course.

Hon. Mr. DANDURAND: —in the expression of their opinion. I am somewhat afraid that the members of the co-operative committee may be rather timid about expressing their views if their leaders come here ahead of them.

Hon. Mr. HORSEY: I agree with Senator Dandurand that it would be better probably to call the co-operative committee first, and their leaders later.

The CHAIRMAN (Right Hon. Mr. Graham): I was just saying that if you have a legal gentleman here to question or cross-question every person that is called, he will probably have his own methods of finding out the facts. And that is what we are after, as I understand it. The chief thing in our minds, to start with, is the question. Have the railway companies co-operated as we intended they should when we passed the Act? If they have not, there will be something to be said.

Hon. Mr. DANDURAND: We will want to know why.

Hon. Mr. MURDOCK: The important thing, surely, is that no member of the Co-operative Committee should come before this committee and on oath take a position that might be at variance with the evidence given by Mr. Beatty or Mr. Hungerford. I certainly think the Co-operative Committee should be here to give their story first; then, if the two distinguished Presidents of the railroads later on want to shim it up and put a different light on it, that is their privilege. But let us hear from the six men, three from each road, that were authorized to do certain things.

Right Hon. Mr. MEIGHEN: That is all right.

Hon. Mr. CALDER: I do not think it makes very much difference. If I were Mr. Hungerford and knew that this committee was going to meet and make certain inquiries, I would sit down with my co-operating committee for about two hours, and before they left me they would know what to say.

You cannot expect to spring any surprises upon these people at all. I agree that it is advisable that we should have a well-defined plan of attack on this problem. I doubt very much that we can accomplish that to-day in the kind of discussion we are certain to have if this is continued. You are going to have counsel. The two leaders, and others as well, are thoroughly cognizant of the situation. There is also the Chairman of the Railway Committee, who was Minister of Railways for many years.

It seems to me that if we are going to sit for another two days, a small committee of four or five, along with the counsel, if you can get him, should sit down and decide what our line of progress is to be in connection with the whole problem. I do not see how we as a committee can arrive at those details to-day. I think it will take time to work them out.

Hon. Mr. MURDOCK: Mr. Chairman, I have heard considerable objection—I do not know whether anyone else heard it—against what was described to me as a hand-picked committee of twenty members when we have a Railway Committee of the Senate authorized to do these things. I hope there is not going to be any attempt made to have a small sub-committee of this committee go into it. We have here a committee that is surely not too big and unwieldy. Let us all be present and have an opportunity of hearing all that develops in connection with this matter.

Hon. Mr. CALDER: I had not any idea of the sub-committee doing anything without it being considered again by the main committee. In my view this whole question is too big and too important to be dealt with in any political way. There is not a person in this committee who does not realize that this is the biggest question before the Dominion of Canada, and every member of the

committee should be able to approach it without any political consideration whatever. I trust that will be the attitude of every member of the committee throughout.

My suggestion is that the small committee should consider the question of the agenda—where we should begin, and how; and I repeat that in my judgment we cannot do that in a large committee of this kind by means of a long discussion. At all events we cannot get anywhere quickly.

The CHAIRMAN (Right Hon. Mr. Graham): Gentlemen, I will ask you to excuse me. I have an engagement elsewhere. There is a good man here who will run this committee.

Hon. Mr. DANDURAND: I believe there is an inclination on the part of the committee to start with the Co-operative Committee—those three gentlemen from each side representing the two railways—and to have them tell us what they have accomplished where they are at, and what they hope to do—to simply tell us the facts. That would preclude the small committee. We must start one way or the other. If it is the consensus of the committee, we will say that these three gentlemen on each side will first be examined.

Hon. Mr. HAIG: There is one thing I think we should ask—I do not know who should ask it—and that is how the English system could be applied to Canada, and what would be the benefits or detriments if it were applied. The Right Honourable Mr. Meighen mentioned that in his address. I for one propose to ask both Mr. Beatty and Mr. Hungerford that question.

Hon. Mr. DANDURAND: When I spoke in the House I read a statement regarding the operation of that system. I do not know that it is complete; I hope that it is exact. I stated that I had asked the Committee on Economics of the Canadian National Railways to give me a statement of what was going on in Great Britain, and that they had sent it to me. We will test that, and the source from which it came. It came from Mr. Fairweather to me.

Hon. Mr. HAIG: I want to ask that Mr. Fairweather on behalf of the Canadian National, and a similar official on behalf of the C.P.R. be examined.

The CHAIRMAN (Hon. Mr. Beaubien): Would you include in that also an examination into the system they have in France?

Hon. Mr. HAIG: That is quite agreeable.

I think we should have the discussion that we are having to-day. If I were counsel I should like to read it over so that I could prepare myself on these points.

Hon. Mr. BLACK: There is no suggestion that every member of this committee cannot ask whatever questions he desires. I propose to do that, any way, until I am stopped. I think it is the intention that everybody shall endeavour to get information. But I agree with Senator Calder that a small committee could draw up an agenda or a plan of procedure better than a large committee.

Hon. Mr. CALDER: And submit it to this committee for approval.

Hon. Mr. BLACK: Yes. It seems to me that if the two leaders and the two Chairmen were to draw up an agenda to start us off, we could consider that at our first regular meeting. I take it, however, that every member of this committee can ask to have so and so appear before the committee as a witness and can put to him any questions he likes, regardless of counsel.

Hon. Mr. DANDURAND: Yes, but I think counsel should first be allowed to bring out all the facts he can. Then if there is any question that we think he should have put and has failed to put we could write it down, and when he is through every member of the committee would be welcome to speak.

As to the small committee, I have no objection to sitting with the two Chairmen and Mr. Meighen to draft an agenda along the lines of what we have

scussed, simply to put it into shape. But we must not forget that the work must be done speedily if we are to submit it to this committee to-morrow. To-day is Wednesday; to-morrow is Thursday, and probably there will be nothing coming over to the Senate later than to-morrow. Counsel should know what he will have to prepare during the recess, and the parties who are to be called should be notified before we start the long adjournment.

Hon. Mr. CALDER: I quite realize that that is the situation. If, then, it is taken for granted that the Duff report will be made the basis, in a sense, of the investigation, and if we tackle first the question of the failure to co-operate, some time will be consumed in that. Then the committee would have an opportunity, along with counsel, to prepare the agenda for the balance of the program. There would be at least two or three sittings on that question.

Hon. Mr. DANDURAND: Then, is there really a need for the small committee to examine into the agenda? We have it practically before us.

Hon. Mr. CALDER: Yes.

Hon. Mr. DANDURAND: We will start, if you will, with the Co-operative Committee, and then decide—

Hon. Mr. CALDER: The agenda will work itself out.

Hon. Mr. MURDOCK: I am not going to object unduly to a small committee preparing an agenda, but I do say this. I do not know about others, but I would regard it as entirely unfair, having regard to the importance of the things we have to inquire into, if the agenda prepared by the small committee was placed before us, as it usually is, when we meet here to decide on it. I think we should have it a few hours beforehand.

Hon. Mr. HAIG: I suggest that we do not need it at all.

Hon. Mr. MURDOCK: But if we are to have it, for goodness sake give us an opportunity to read it and analyse it to see if we think there are some things omitted from it before we meet together around this table as the Special Committee on Railways.

Hon. Mr. COTE: A moment ago Senator Murdock referred to calling the members of the Co-operative Committee of each railway, and examining them under oath. I am wondering whether this committee is authorized to do that.

The CLERK OF THE COMMITTEE: Under the Senate and House of Commons Act a committee has that authority. It is optional with the committee. If the House so directs, then the witnesses must be examined under oath.

Right Hon. Mr. MEIGHEN: I have no objection to a small committee working under agenda, but really I do not think it is necessary now. We all know where we are going to start. Persons who expect to appear will read what has taken place to-day and will know what to get ready on. And counsel will assist us in directing the steps in our work, one by one, in an orderly way. I do not believe a hard and fast agenda could be made out in advance, anyway. If we are going to commence with an inquiry into the work of the two joint co-operative committees that will be program enough for a while. I should think that counsel as soon as we agree on one, would be able to get ready for that examination and advise the railways accordingly.

Hon. Mr. CALDER: I agree.

Hon. Mr. HAIG: Yes. I so move.

The CHAIRMAN (Hon. Mr. Beaubien): Carried.

Hon. Mr. DANDURAND: Then Senator Meighen and I are authorized to get counsel?

The CHAIRMAN (Hon. Mr. Beaubien): Carried.

Right Hon. Mr. MEIGHEN: Senator Beaubien suggests that the railways should be informed as to when to be ready and on what subjects. If Colonel Biggar is not available and Senator Dandurand and I have some other counsel

to suggest, I think the Committee ought to meet to-morrow to approve our suggestion. And it seems to me we should have a resolution that counsel, when selected, should advise the railways of the immediate subject of inquiry and ask them to be prepared upon it. Then when they are here we can advise them from time to time of any additional subjects we wish to take up. I would suggest we tell them that we intend, first, to inquire into the working out of the co-operative plan under the Act, and that we shall proceed from that inquiry to investigate any suggestions as to a better method of handling the railway problem. They know just as well as we do what they are going to be asked, but they should be formally advised.

Hon. Mr. MURDOCK: In the examination of these co-operative committees are we going to request, nay insist, that they place before us and in our records any memoranda or letters that have passed between them which finally determined the questions that have been under consideration? My understanding is that certain documents have passed between them. I think we ought to have the text of those rather than an explanation from either one side or the other.

Hon. Mr. DANDURAND: I think it goes without saying that when we have them before us they will tell us what negotiations took place. If there are written records, they will be preferable evidence, naturally.

Right Hon. Mr. MEIGHEN: We can insist on any letter we want.

Hon. Mr. MORAUD: As one who is not a member of this Committee, may I ask a question? We shall be entitled to printed minutes of the sittings. But besides that should we not also get any memoranda or any briefs that are submitted to the Committee? Though I am not a member of the Committee I am quite interested in the proceedings.

The CHAIRMAN (Hon. Mr. Beaubien): It seems to me that every senator should have a report of every meeting.

Hon. Mr. MORAUD: But I mean, besides the report, any brief or documentary evidence distributed to members of the Committee.

Hon. Mr. MURDOCK: That will be included in the minutes, will it not?

The CHAIRMAN (Hon. Mr. Beaubien): Everything ought to be included in the minutes.

Hon. Mr. ROBINSON: Mr. Chairman, I do not suppose there is any printed copy of the evidence taken before the Duff Committee, is there?

The CHAIRMAN (Hon. Mr. Beaubien): I am told there are two typewritten copies in the Library.

Shall we adjourn now, to meet to-morrow to obtain the report of the two leaders?

Hon. Mr. HAIG: We do not need to meet to-morrow if the leaders agree. Mr. Biggar or Mr. O'Connor.

Right Hon. Mr. MEIGHEN: No. Adjourn to the call of the Chair.

The Committee adjourned to the call of the Chair.

1938

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**ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO**

No. 2

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

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Appointment of Counsel.

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cash deficit.

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

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Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, April 7, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto met this day at 11.30 a.m.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, as my colleague, Senator Graham, is very busy elsewhere, we will proceed with our business.

Hon. Mr. DANDURAND: I have the misfortune of being the senior of my friend Senator Meighen, so, speaking for himself and myself, I may state that we had before us this morning Colonel Biggar, and discussed with him what this committee intended doing and what it expected of him. I think I may say that he has expressed his willingness to serve the committee.

Right Hon. Mr. MEIGHEN: Yes.

Hon. Mr. DANDURAND: But he left us to consult his partner. He will return here very shortly. He stated that his ordinary fee is somewhat higher than the \$100 a day which he would personally be agreeable to accept. This does not mean that two or three hours' work would constitute a day. In such a case he would charge by the hour. I do not know whether his is an eight-hour day.

Hon. Mr. BLACK: Probably it would be a ten-hour day.

Hon. Mr. DANDURAND: Senator Meighen and myself were agreeable to his appointment on that basis. Colonel Biggar has had considerable experience in such matters as will come before us. I think he will save the committee considerable labour by preparing the work in advance. He will see the gentlemen who are to appear and get the slant of their minds and keep them on the main points to be investigated. As a result of this preparatory work by Colonel Biggar we shall start our proceedings with a clear notion of what may be expected of the witnesses who will come before us.

Hon. Mr. CORÉ: With reference to Colonel Biggar's fee, surely he would be able to charge for preparation?

Hon. Mr. DANDURAND: Yes, he would do that. He knows he will have four or five weeks in which to prepare himself and would charge for the time he devotes to the work, so many days and, it may be, so many hours.

Mr. Hinds has put in my hands the following motion:—

That the committee report recommending the appointment of Mr. O. M. Biggar, K.C., as counsel to the committee, and that he be paid at the rate of \$100 a day while engaged in the work of the committee.

This does not mean that Colonel Biggar would charge \$100 if he came here for only an hour or two. He told us that when he is out of his office he generally charges at the rate of \$150 a day. We suggested around \$100 a day.

Hon. Mr. CORÉ: Would not that include preparation?

Right Hon. Mr. MEIGHEN: No. He will be paid "while engaged in the work of the committee."

Hon. Mr. DANDURAND: I make that as a motion.

Right Hon. Mr. MEIGHEN: I second the motion.

The motion was agreed to.

Hon. Mr. DANDURAND: We will ask Colonel Biggar to come in.

Gentlemen, Senator Meighen and I asked Colonel Biggar to return here to be advised of the decision of the committee as to the work to be done, and what we did at our last meeting. Then we decided that first of all we would test the value of the Canadian National-Canadian Pacific Act of 1933, which imposed upon the two railway systems the duty of co-operating. Colonel Biggar will see that we have decided to bring before the committee the members of the Co-operative Committees appointed by the two railways to work upon the problems which come before them. There are, I think, three committee members from the Canadian National and three from the Canadian Pacific, and Colonel Biggar will have to find from them what has been accomplished under the Act of 1933, which instructed the two railways to co-operate towards effecting economies. He will inquire what economies have been effected, what is being done now, what have been the obstacles in the way of greater progress than is apparent from the figures which have been placed before the Senate, and what are the expectations for the future. Colonel Biggar will consult those six members—or perhaps he will decide that two are sufficient—with a view to ascertaining what they have in hand which will facilitate our work.

Hon. Mr. BLACK: Would he examine them before the committee or in private?

Hon. Mr. DANDURAND: Colonel Biggar has said that he thought, in order to facilitate the work and reduce it to the essentials, he would perhaps have to call the two groups together separately at his office or else go and meet them in Montreal where all the files are available. Mr. Meighen and I expressed no opinion as to the method by which he should proceed; but he thinks he can very much facilitate the work by getting in touch with these men and finding out what he should ask them to bring before this committee in the way of documents and other things. This appeared to Senator Meighen and myself to be a reasonable way of proceeding. Then, after we have examined these witnesses we will have to go higher and come to the executives, including the respective presidents, who I think, direct the Co-operative Committee to study certain problems and to report to them. This, I think, will cover considerable ground. We may at the same time be forced to make a comparison of what can be done and what has been done by co-operation, and to consider what unified management would do. But that is a matter which will develop.

Hon. Mr. MURDOCK: Will the witnesses that appear before the committee be placed on oath to tell the truth, the whole truth, and nothing but the truth?

Hon. Mr. DANDURAND: That question was discussed with Colonel Biggar and Senator Meighen and myself were doubtful of the value of proceeding in that manner when most of the testimony to be given will be in the form of opinions. We may decide in the course of the investigation to ask some witnesses to make their statements under oath; but generally speaking I am strongly of the opinion that this is not a matter upon which we should decide beforehand.

Hon. Mr. HARDY: Can the honourable gentleman tell us whether this committee has power to insist upon seeing files, correspondence and other papers of this Co-operative Committee?

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

Right Hon. Mr. MEIGHEN: Yes.

Hon. Mr. HARDY: The opinions of these various gentlemen are bound to be conflicting and likely to leave us in a more or less nebulous position unless they are backed up by the papers that mark their progress from time to time. Can we insist upon the papers of the C.P.R.? It is not a government road.

Hon. Mr. MURDOCK: We pretty well know the opinions now. As soon as we see a gentleman walk into the room we will have a fair estimate of his opinion. But it is my understanding that the committee wants to get concrete facts for

the edification of the people of Canada on this all-important question, and it seems to me that we should have something more concrete and definite than opinions.

Hon. Mr. DANDURAND: In answer to my honourable friend Senator Hardy, may say that I think we are all agreed that if there are any documents to support the opinions given, or to strengthen affirmations of fact, those documents should be furnished. Of course we can readily order the Canadian National Railways to give us those documents.

Right Hon. Mr. MEIGHEN: Or the C.P.R.

Hon. Mr. DANDURAND: Or the C.P.R., because they will be appearing before us.

Hon. Mr. MURDOCK: Can we?

The CHAIRMAN (Hon. Mr. Beaubien): Oh, yes. We have the power.

Right Hon. Mr. MEIGHEN: The resolution appointing the committee gives us that power.

The CHAIRMAN (Hon. Mr. Beaubien): It says, "With power to call for persons, papers and records."

Hon. Mr. DANDURAND: I do not know whether there should be a resolution of this committee empowering Colonel Biggar to obtain communication of documents and records for use in preparing his brief.

Right Hon. Mr. MEIGHEN: I do not think that would strengthen his position at all. I would not apprehend any disposition to refuse him access, but I do not think we can delegate that authority. We have to exercise it in the regular way provided by law in case there is refusal on the part of anybody to produce the documents wanted.

Hon. Mr. DANDURAND: What I had in mind was this, that Colonel Biggar might want to see some documents, maps or other records which are to-day in the Department of Railways. He should be able to approach that department with some authority.

Right Hon. Mr. MEIGHEN: The resolution appointing him as counsel for the Committee is all he needs to enable him to get documents in the Department of Transport.

Hon. Mr. DANDURAND: I wanted to be sure that the Department would open its files to Colonel Biggar, if the Committee expressed the desire that this be done. Would Mr. Yates tell us if the Department would feel justified, on the statements that have just been made by Senator Meighen and myself, in communicating any documents on file to Colonel Biggar?

Mr. GEORGE W. YATES: It would, sir, so far as departmental documents are concerned. But what I have in mind is whether that would apply to documents filed with the Duff Commission, say. Mention was made of a map a little while ago. The Canadian Pacific filed a regular railway map of Canada, more than one-third the size of this one here, on which the abandonments and all that sort of thing are marked. I was, for my sins, associated with the Royal Commission, and we have in the Department all the exhibits and documents filed with the Royal Commission. The question is whether on application to the Department they should be produced.

Right Hon. Mr. MEIGHEN: They are in the custody of the Department?

Mr. YATES: Yes, but they were filed as exhibits with the Duff Commission.

Right Hon. Mr. MEIGHEN: I do not presume the Department would let them out, but it certainly would allow Colonel Biggar to see them; and it also would allow the proper officer to bring them here.

Mr. YATES: I presume so.

Hon. Mr. DANDURAND: So the Committee, I take it, authorizes Colonel Biggar to ask for the production of documents. And that will be sufficient for the Department?

Mr. YATES: Yes sir.

Hon. Mr. ROBINSON: Is it the intention to go outside the railways at all for witnesses, or will witnesses be confined to railway authorities?

Hon. Mr. HAIG: I think we should bring Professor Jackman here. He says we are a bunch of numskulls. I should like to meet that man.

Hon. Mr. DANDURAND: I have stated that I assume the two or three senators he singled out, without giving their names, are sitting around this table.

Right Hon. Mr. MEIGHEN: I assume I am one. I would rather get intelligent witnesses, myself.

Hon. Mr. DANDURAND: Senator Robinson has asked if we intend to go outside the railway fraternity for witnesses. It may not be possible to answer that question just now. I would suggest that my honourable friend reserve his question till we have finished with the railway fraternity.

Hon. Mr. HAIG: I think, Mr. Chairman, that we should notify Professor Jackman that he will be called, so that he will not be going off to Florida or somewhere else for his summer holidays.

Hon. Mr. BLACK: Mr. Chairman, I should like to ask a question for my own information. Very pronounced and distinct suggestions were made to the railways as to savings that might be effected but which have not been effected. That is, the joint committee of six have not gone as far as they should, it would appear. We want to know why they have not gone farther in eliminating duplication and expense of various kinds. Now, all three men on each side may not think alike; it may be that one or two in either group advocated further savings and that his colleague or colleagues objected. So it seems to me that we may some time want all six members of the joint committee here notwithstanding what Colonel Biggar may get from them. If we are not satisfied with what we are able to get from one or more of those members of the joint committee, we should be able to call other members.

Hon. Mr. DANDURAND: We may run up against an obstacle in that connection. When examining members of the joint co-operative committee we may be told that they were instructed by their superior, the joint executive committee, to study such and such a problem and that they have not gone beyond the mandate they received. Of course it would be interesting to see how the joint co-operative committee approached the study of problems submitted to them, but we may have to examine persons higher up to find out why more problems had not been submitted to that committee for study.

Hon. Mr. BLACK: To find out who it was who said "Thus far and no farther."

Hon. Mr. MURDOCK: Unfortunately there are sometimes gentlemen's understandings between persons doing business with one another. I have heard from time to time—whether there is anything to it or not I do not know—that the reason the co-operative committees, represented by three men for each road, could not arrive at certain conclusions for pooling arrangements between the two roads, as provided for by the Act, was that one road or the other wanted all or the largest part of the benefit that would result. Unless these gentlemen are placed on oath and required to give us all the concrete and definite information that they may have, shall we able to arrive at a proper understanding of the situation? This alleged attitude on the part of the roads is said to be the reason why they have not gone farther in the way of co-operation than we find they have gone. They have made a saving of approximately \$2,000,000, we

re told. And considerable of that—I think it is fair to say the important part of that—is the result of discontinuing the jobs of a goodly number of railway employees. We ought to find out about this, if there is any way of finding it out.

Hon. Mr. HAIG: Mr. Chairman, speaking as a lawyer, I do not think we need to decide now whether we will put these men on oath or not. I think it will be time enough to decide that point when Colonel Biggar has brought the witnesses here. If we are not satisfied with their answers, we can ask to have them put under oath. Colonel Biggar himself will tell us quickly enough if he is not satisfied with the way they are answering, and will request that they be sworn. Any of us here may make a similar request, if we think that is necessary.

Hon. Mr. DANDURAND: I would draw attention of my friend Senator Murdock to this fact. If one railway was strongly in favour of a scheme which it felt would lead to economies, and this was objected to by the other company, the first company could, under the Act, ask for the appointment of an arbitral board. We shall have to find out if the two companies ever came close enough to grips for one of them to think of pressing for such a board.

The CHAIRMAN (Hon. Mr. Beaubien): Is that all?

Hon. Mr. DANDURAND: Before we separate I should like to put on record a letter which I received from Hon. Mr. Howe, Minister of Transport, and which I would have read to the Senate on March 30, but it was brought to my desk too late. On the preceding day I had laid on the table the report of the Canadian National Railways for 1937 showing a deficit of \$42,345,867.99. I have submitted the letter to Senator Meighen, and he thinks it might as well go into the record, so that members of the committee may study it and ponder over any further examination that may be had on the point. This is the letter:—

RE CANADIAN NATIONAL CASH DEFICIT, \$42,345,867.99

With respect to your inquiry in the above matter I have marked pages 12 and 13 of the Annual Report of the Canadian National Railways for 1937, which you laid on the table of the Senate yesterday.

From the report you will note that net operating revenue from railway operations for the year amounted to \$17,607,750, an increase of some \$2,475,000 over 1936. The revenue side was adversely affected by the grain crop failure, and the operating expenses were required to absorb increases both in labour and material costs. Increases in rates of pay cost \$2,798,000 in 1937, and increases in prices of material, some \$3,500,000.

The increase in net operating revenue of Canadian National Railways (\$2,475,000) was 16 per cent over 1936 figures, and this compares with an increase of 1.7 per cent (\$479,000) for the Canadian Pacific and a decrease of 6.6 per cent (\$74,000,000) on class one roads in the United States.

The net revenue from railway operations of \$17,607,750 was reduced by railway taxes of \$5,635,174. Rentals of equipment, etc., showed a net amount payable of \$3,583,837; separately operated properties a loss of \$1,130,521; amortization of discount on funded debt amounted to \$938,729 and profit and loss charges \$317,214. On the other hand, income from securities and other miscellaneous accounts provided \$2,084,865 and hotel operating income some \$200,087.

After all these items have been included the cash available before interest amounted to \$8,287,228, an increase of \$1,878,317 over the previous year.

Interest on funded debt to the public amounted to \$48,888,545, and interest due the Government on loans amounted to \$1,744,551. It will, therefore, be seen that the deficit after interest amounted to \$42,345,868,—

That is the figure given.

—a decrease from 1936 of \$957,426.

The amount shown as \$1,744,551, interest on Government loans, includes \$59,798 of interest on temporary loans in connection with refunding; such interest has always been paid. The interest of \$1,684,753 covers loans for capital purposes, formerly accrued but not paid.

Two items which have in the past been treated as non-cash items are now charged against the C.N.R. as amounts that must be paid in cash. These are discount on funded debt, first made payable in cash in 1936, and interest on cash loans for capital purposes, first made payable in 1937. For the year under review discount on funded debt amounted to \$938,729, and interest due Government on temporary loans for capital purposes, \$1,744,551. Had accounting methods not been revised results for 1937 would have been improved accordingly and would have provided a more accurate comparison with the results of previous years.

Hon. Mr. COTE: Mr. Chairman, we all want to examine as closely as possible into the English system of railway co-operation, and also the French system mentioned by yourself. Would it not be well for counsel to get busy and gather as much material as he can on those two subjects, so there will be no delay later on?

Hon. Mr. DANDURAND: I will call the attention of Colonel Biggar to the statement embodied in my remarks of March 30. It came from the Department of Economics of the Canadian National Railways. He can see if it represents the whole situation, or if there is some more light to be thrown on the subject.

Hon. Mr. COTE: Undoubtedly there is.

Hon. Mr. DANDURAND: I do not know.

Right Hon. Mr. MEIGHEN: I am wondering where further data can be secured of the essentials of the English system and how it has worked out. There may be someone in Sir Francis Floud's office who has made a study of the subject. No doubt the Department of Transport has considerable material relative to it, and the Canadian Pacific Railway might be able to furnish us with information. We might also try the Railway Commission.

Hon. Mr. DANDURAND: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): We could perhaps get something on the French system from the Minister of France. That law was passed in July, 1937.

Hon. Mr. DANDURAND: I will ask the Minister.

Hon. Mr. MURDOCK: Would it be at all worth while to secure from Washington information of the results of the consolidation of the American railway under war-time conditions? It may be, of course, that everything would be filled up with those additional war-time expenses, so it would not be of much use.

Right Hon. Mr. MEIGHEN: It was terrible.

Hon. Mr. MURDOCK: It was awful, I know that, and I don't think it would be of any use for our purposes. But they had a consolidation of railways in the United States.

Hon. Mr. DANDURAND: Of course, we are interested only in our own ill

The committee adjourned until Wednesday, May 4, at 11 o'clock in the morning.

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 3

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

CONTENTS:

Presentation and explanation of Charts and Tables by Counsel to the
Committee

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1938

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, May 4, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto met this day at 11 a.m.

Right Hon. Mr. Graham and Hon. Mr. Beaubien, Joint Chairmen.

Colonel O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon. Mr. Graham): What is the program, gentlemen?

Colonel BIGGAR: Mr. Chairman, I think probably the committee would want to begin with the figures in regard to operation, and so on, of the railways since 1931. This was the last year that the Duff Commission considered, and the committee decided that it should be the starting point of this inquiry. In order to bring those figures up to date, Mr. Wrong, of the Bureau of Statistics, has prepared some charts and tables that I think will make the situation quite intelligible to the committee. I suggest therefore that we might proceed with those tables.

The CHAIRMAN (Hon. Mr. Beaubien): Are you ready to go on?

Mr. BIGGAR: Yes.

The CHAIRMAN: The Bureau of Statistics has prepared some charts and tables that I think the committee will find very interesting. We have copies of them for each of the members of the committee. One of these little green books is called "Charts," and one is called "Tables." The numbers of the tables in the one correspond with the numbers of the charts in the other. Some of the members of the committee may prefer to look at the figures in the tables, and some of the members of the committee may prefer to look at the charts. One book is as it were the words, and the other book is the music.

I may call the committee's attention first to the first of the charts, which is called "Chart 1," and which has no corresponding figures in the tables because the figures are on the chart itself.

Right Hon. Mr. MEIGHEN: There is no index to the charts?

Mr. BIGGAR: The charts correspond with the tables. The numbers of each are the same. These are all new and prepared for the purposes of the committee.

The first of the charts is merely directed to show what a comparatively short-term problem this is. This chart is the only one that goes back behind 1923. It goes back to the date of Confederation, 1867. You will observe that the figure at the lower left-hand corner is wrong. It is 1967. It should be 1867. The heavy line that begins about two-thirds of the way up the chart, and has the figure 3463 at the left-hand end of it is the population of Canada at that time—3,463,000. The dark line shows the gradual increase in population until 1936. Then, compared with that is the railway line, which begins a little below it and crosses it very early, at about '72, and goes on to the upper right-hand corner of the chart. That is the number of miles of railway in operation from year to year. You will observe that from '67 to '72 or '73 the railway mileage was very small in proportion to the population, and gradu-

ally increased until 1916, when in effect the line becomes flat for the last twenty-two years. The two lines are practically parallel to one another. There has been no substantial increase in the mileage of railways in proportion to population for the last twenty-two years.

The CHAIRMAN (Right Hon. Mr. Graham): This shows all the railways?

Mr. BIGGAR: All the railways in Canada.

Then, the next line below, which begins with the figure of 19,358,000, is the railway revenues, which cannot be got accurately before '76, but are carried on upwards, as you see, to a high point in 1928, when they become 563,732,000. Then from '28 until to-day they fall, first, to a low point, and then up a little bit to 354,768,000 at the right side of the chart.

Right Hon. Mr. MEIGHEN: You do not give the low point.

Mr. BIGGAR: The low point can be read. I did not make a note of it.

Right Hon. Mr. MEIGHEN: It would be about 100,000,000 less.

Mr. BIGGAR: Yes. That will appear from subsequent charts. This is merely to show the comparison between mileage, revenues and population.

You will observe that in proportion to population railway revenues showed a substantial increase until 1918, and then remained with very little increase, some drop from 1918, and till 1928 there was very little change in the relation of revenues to population. But from '28 on there is a very substantial drop in revenues in proportion to population as well as in proportion to mileage.

Then the next line consists of a broken line, starting in 1906 at 1,447. This is the line representing the total number of motor vehicles registered. And you see what an enormously rapid increase that shows, by reference to both population and mileage, right up to 1928, and then there is a little dip, but we come back again in 1936 to the level of 1928.

And then the last line, that begins at the bottom at 3,519, goes up to 186,952, is simply the registrations of commercial vehicles. I want to warn the Committee that neither of those last two lines can be regarded as completely significant.

Hon. Mr. PARENT: They do not seem to be competitors of the railway because that line does not parallel the railway lines.

Mr. BIGGAR: But so far as it tells us anything it shows the extent of the added competition of motor vehicles, by reference to the railways. It begins in 1916 and gets more and more serious as we come up. But the point is that none of the provinces—I think I am right in saying none—gives real figures with regard to what the highway vehicles are doing. It is impossible to do more than give this bald figure of registrations, because in the registrations everything from one-ton trucks to ten-ton trucks is simply counted as one vehicle. There is no distinction between the grocery delivery and the highway transport. It may be worse than that line shows; it may not be as bad. One does not know, one only knows that these are the figures of registrations.

Hon. Mr. DANDURAND: You indicate motor vehicle registrations from 1906 without qualification as to type.

Mr. BIGGAR: That comprises all motor vehicles.

Hon. Mr. DANDURAND: But the second line shows commercial motor vehicle registrations.

Mr. BIGGAR: That is part of the previous total.

The purpose of that chart—which you will observe is on a logarithmic scale in order that the lines may be fairly compared—is merely to give a general picture of the whole situation with regard to that kind of transport. There is nothing in it with regard to water transport. There again I shall have occasion to mention to the Committee that the figures available are not adequate, as they are in the case of the railways.

Hon. Mr. SINCLAIR: That last line which you have described, registration of commercial vehicles, that applies only to transport of tonnage? It does not apply to registration of private cars?

Mr. BIGGAR: No; the last line is merely commercial vehicle registrations. The first of those last two lines includes all motor vehicles.

Hon. Mr. MORAUD: Transport of goods and of passengers, both?

Right Hon. Mr. MEIGHEN: As to commercial motor vehicles registered, does that mean commercial vehicles owned by individuals doing their own work plus vehicles for hire?

Mr. BIGGAR: Plus vehicles for hire, and both buses and freight business.

Hon. Mr. PARENT: So far as the figures are known. But, as you said before, the provincial governments do not give all the figures.

Mr. BIGGAR: There are no comparable figures from province to province, except with regard to the number of registrations.

The CHAIRMAN (Hon. Mr. Beaubien): That comprises, I suppose, taxis in cities.

Mr. BIGGAR: I do not know whether they are registered as commercial vehicles or not; I am inclined to think they are not. No, Mr. Wrong tells me that taxis are not in the commercial vehicles.

Then we come to the second chart. The figures on which that second chart are based are in table 2, on the first page of the pamphlet containing the tables. Chart 2 merely shows the number of miles of road that are operated.

Hon. Mr. PARENT: The figures are given in thousands of miles. You do not mean to say we had nearly 40,000 miles to start off with there?

Mr. BIGGAR: That is 1923. These charts here all begin with 1923, and they just give the situation as it has changed from 1923 to 1937. If you look at the top line of chart 2 you will see it gives the combined mileage of the Canadian National and the Canadian Pacific. We have not troubled to include the few miles of other lines. And then follow two lines, the upper one representing the Canadian National Railway system as a whole, and the lower one representing the Canadian National Railway Canadian lines. Then finally, at the bottom, we have the Canadian Pacific mileage. If members of the Committee would like to note the figures, they can be got from the table. The total mileage has gone up, between 1923 and 1937, from 35,263 to 39,117, an increase of 3,854 miles. I am told that that little peak in the Canadian National system in 1930 represents the addition of the mileage of the Central Vermont Railroad, while the increase in the Canadian Pacific from 1926 to 1933 represents chiefly western lines.

The next chart, No. 3A, shows the tons of freight carried and gives a very graphic picture of the reduction that has taken place in the actual number of tons of freight carried by the two railways. The upper line, the light continuous line, represents the whole Canadian National system. The next one, the heavy continuous line, represents the Canadian National lines in Canada. And the lowermost line, the broken one, represents the Canadian Pacific. You will observe, taking the Canadian National lines in Canada as an example, that the number of tons of freight carried in 1923 was 47.2 millions, and that after having fallen it rose in 1928 to 55.3 millions; fell then to a low point of somewhere about 25 millions and rose again, in 1937, to 36.1 millions. The interesting point about that is that there is an actual drop between 1923 and 1937 of 3 per cent. We were lower by 23 per cent in 1937 than we were in 1923. The same thing, but not quite so aggravated a form, is true of the Canadian Pacific, represented by the bottom line on the chart. They began in 1923 with 32.9 millions; they finished in 1937 with 29.8 millions. The drop is only 9 per cent instead of 23.

The third chart is marked 3B. It is merely a combination of the two lower lines in 3A and gives the total figure. The general course of the curve, as you will observe, is exactly the same as the course of the three curves in 3A.

The next chart, 4A, deals with passengers carried. It shows an even worse falling off than does the freight and, what is very interesting, no peak in 1928. Instead of having that very high peak of the 3A chart in 1928—a peak that really is made up of the years 1925, 1926, 1927, 1928, 1929 and almost, you may say, 1930—the line with regard to passengers carried falls continuously from 1923 until 1933; then there is a very slight increase. Taking the Canadian National lines in Canada, you have 22·2 millions in 1923 and only 10·2 millions in 1937—a drop equivalent to 46 per cent. The C.P.R. is not quite as bad, but almost so. It begins in 1923 with 16·2 millions and finishes with 7·8 millions—a drop of 42 per cent.

The next chart, 4B, is simply a combination of the previous curves. It too, of course, deals with the number of passengers carried.

Chart 5A gives the revenue ton miles. We have the same peak as in the other freight chart in 1928, but the falling off has not been quite so serious. Instead of being 23 per cent for the Canadian National Canadian lines, it is only 21 per cent; but instead of being 9 per cent for the C.P.R. as it was in the other, it is here 20 per cent. There is a 20 per cent falling off in the number of revenue ton miles.

Chart 5B is a combination of the two lower curves from 5A.

Chart 6A relates to passenger miles, and here we get a curious thing. Taking the C.P.R. as an example, 14·01 per cent in 1923 passenger miles per mile of road, and we come down in 1937 to 8·2 per cent, or a drop of 41 per cent. The corresponding drop with regard to the Canadian National Canadian lines is 35 per cent.

Right Hon. Mr. MEIGHEN: You are at Chart 6A?

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: How do you get those billions?

Mr. BIGGAR: The 14·01 miles was for the C.P.R.

Right Hon. Mr. MEIGHEN: It is headed revenue passenger miles.

Mr. BIGGAR: I beg your pardon, I got the point in the wrong place. It is 1·40 and ·82.

Hon. Mr. SINCLAIR: What is the percentage of decrease?

Mr. BIGGAR: The percentage fall on the C.P.R. is 41 per cent, on the Canadian National 35 per cent. The Canadian National Canadian lines fall from 1·33 to ·87.

Right Hon. Mr. MEIGHEN: I cannot get your figures at all. I think they are falling off far more than 41 per cent.

Mr. BIGGAR: This was calculated for me by slide rule.

Right Hon. Mr. MEIGHEN: The C.P.R. reaches a little over 1·50 in billions and it goes down to under 75. That is over 50 per cent decrease.

Mr. BIGGAR: I think it is quite right, Mr. Meighen.

Right Hon. Mr. MEIGHEN: You are taking the low from the peak in the tables. I am taking from the peak down to the low on the chart.

Mr. BIGGAR: Of course, if you do that you get a different figure.

Hon. Mr. DANDURAND: The C.P.R. fall is 41 per cent?

Mr. BIGGAR: Yes. The Canadian National Canadian lines is 35 per cent.

Hon. Mr. HAIG: How much of that increase in passengers is due to the introduction of special fares?

Mr. BIGGAR: I do not know.

Hon. Mr. HAIG: I think they were introduced about 1932 or '33. I think that accounts for the jump up.

The CHAIRMAN (Hon. Mr. Beaubien): You mention that certain figures refer to Canadian National lines in Canada.

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): The Canadian Pacific have lines in the United States. Are they not included at all?

Mr. BIGGAR: They are included.

The CHAIRMAN (Hon. Mr. Beaubien): And the Canadian National are not included?

Mr. BIGGAR: Its American mileage is included in the thin continuous lines.

Hon. Mr. HAIG: Mr. Chairman, I should like to have a copy of the tables and charts. Even with respect to my honourable friend from Brockville I am a member of this committee.

Hon. Mr. HARDY: I object to any such references.

Hon. Mr. HAIG: You may object if you like. You can stop me in one committee, but you cannot stop me in this committee.

Mr. BIGGAR: We can skip 6B. It is just a combination of the previous charts. The Canadian Pacific Lines in the States are included in the one curve.

The CHAIRMAN (Hon. Mr. Beaubien): I do not understand why the Canadian National Lines in the States are not included in the Canadian National figures.

Mr. BIGGAR: They are included in the Canadian National System. That is the reason why there are two Canadian National lines on each of these charts. One shows the whole system, the other Canadian Lines only.

The CHAIRMAN (Hon. Mr. Beaubien): In 6B have you included Canadian National Lines in the United States?

Mr. BIGGAR: No; those are just Canadian National Lines in Canada.

The CHAIRMAN (Hon. Mr. Beaubien): And they include C.P.R. American Lines?

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Why?

Mr. BIGGAR: It is just to show the Canadian situation.

The CHAIRMAN (Hon. Mr. Beaubien): But you do show Canadian Pacific Lines in the United States.

Mr. BIGGAR: In their reports to the Bureau the C.P.R. do not make any distinction.

The CHAIRMAN (Hon. Mr. Beaubien): You cannot get figures as a whole?

Mr. WRONG: It is a small part across Maine.

Hon. Mr. SINCLAIR: Does the 35 per cent decrease apply to the first or to the second column of Table 6?

Mr. BIGGAR: According to my note, Mr. Sinclair, the 35 per cent in that particular case applies to either of the Canadian National curves; they each work out at exactly the same percentage.

I come now to chart No. 7, dealing with freight traffic density, which I need not trouble you with. It is an important chart, but it will not be necessary to examine it in detail. It represents thousands of ton miles per mile of road.

Right Hon. Mr. MEIGHEN: That is the number of tons carried per mile on the one side compared to the number of miles of road.

Mr. BIGGAR: Divided by the number of miles of road. You will observe that that has substantially fallen. The density is down 33 per cent on the Canadian Pacific, 25 per cent on the Canadian National System and 27 per cent on the Canadian National Lines in Canada.

Right Hon. Mr. MEIGHEN: But it is lower on the Canadian National everywhere than it is on the C.P.R.

Mr. BIGGAR: Yes. The C.P.R. has had a higher density throughout the whole fifteen years.

Hon. Mr. PARENT: You mean the density of decrease, not increase

Mr. BIGGAR: Density means the number of tons carried one mile by the railway divided by the number of miles of the railway.

Hon. Mr. PARENT: According to these figures, the C.P.R. seems to have suffered more than the C.N.R.

Mr. BIGGAR: It has gone down in density.

The CHAIRMAN (Hon. Mr. Beaubien): The percentage drop is between 1923 and 1937. It is quite a bit.

Right Hon. Mr. MEIGHEN: It is probably more accurate to say there was an intensity of peak to the C.P.R. that was not accompanied by a like peak to the C.N.R. about 1928.

Mr. BIGGAR: Not as intense.

Right Hon. Mr. MEIGHEN: Otherwise it is about the same all through.

Mr. BIGGAR: Yes. The C.P.R. has a larger proportion of its traffic in grain from the West. 1928 was an extraordinarily high year for grain tonnage, and therefore the Canadian Pacific peak in that year is higher than that of the Canadian National.

Hon. Mr. HUGESSEN: I do not think that is exactly so, is it? According to the figures, the C.N.R. increase between 1923 and 1928 was about \$165,000,000, and the corresponding C.P.R. increase was only \$169,000,000.

Mr. BIGGAR: Having regard to the difference on the left-hand line of 1923, while it may appear that the peak is higher, it is really not a great difference. But of course there has been a more substantial drop in the C.P.R. in 1924 than in the Canadian National.

Then going on to No. 8 you have the passenger density; that is the number of thousands of passengers carried one mile per mile of road. You have to have that because the number of miles of road in operation varies from time to time. There you have a continuous or almost continuous drop. There is a slight rise in the Canadian National System and the Canadian National in Canada between 1923 and 1928, and then a falling off and a practical parallelism between the two railways. The C.P.R. density has fallen by 50 per cent, and the Canadian National in Canada by 38 per cent. I think the figure with regard to the Canadian National System is 39 per cent.

No. 9, the average freight haul, need not detain us. There is really very little difference between the beginning and end of the Canadian National line. There is a slight drop between '23 and '24 or '25 in the Canadian Pacific. That drop is 12 per cent. There is practically no drop in the length of the average freight haul in the Canadian National.

Right Hon. Mr. MEIGHEN: I think that is about the most significant chart of the lot. That shows the railways have pretty well held their long hauls. Where they have lost traffic is in the short hauls.

Mr. BIGGAR: Yes.

Then in chart 10 you get the average passenger journey, which shows a rather different story. The average passenger journey on the C.P.R. has gone up from somewhere about 88—I did not make a note of the figure—to somewhere

about 110 to 112 miles, and there is a corresponding increase in the Canadian National System from somewhere about 60 to somewhere about 85. The increase in the length of the passenger journey on the C.P.R. is 23 per cent and on the Canadian National in Canada 46 per cent. There is not much difference when you take the System.

The next chart, which is marked 11-12A, is a little more complicated by reason of the necessity of distinguishing the Canadian National System from the Canadian National. If you look first at the top thin continuous line, and compare that with the little dotted line, the light line which is next below it at the left-hand side of the chart, you will find that the first represents the revenues of the Canadian National System and the other represents the operating expenses of the Canadian National System. The spread between those two lines in 1923 is 21·1 million dollars. Then where the spread is greatest, in 1928, it is 54·8 million dollars. Then the two lines come together in 1931, and from then on they separate slightly, and in 1937 the separation represents 17·6 millions. Then below that we have the Canadian National in Canada, the general course of the figures being substantially the same. The heavy continuous line is the revenues of the Canadian National in Canada, and the heavier broken line the operating expenses in Canada.

Chart 11-12B is the corresponding one with regard to the C.P.R. There is a spread of 40·3 millions in 1923, 61·9 millions in 1928 and 28·2 millions in 1937. The 11-12C chart is merely a combination of the two lower ones on 11-12A and those on 11-12B.

The next one shows the public money, or rather outside money, that has gone into the Canadian National System from 1923 to 1937. The upper one of those two lines represents the increase in the net amount of debentures outstanding.

Right Hon. Mr. MEIGHEN: That is the dotted line.

Mr. BIGGAR: That is the dotted line. The continuous line represents the cash advanced to the Canadian National, and the total of the money that has gone into the Canadian National from year to year would be represented by a combination of those two curves. But perhaps we had better begin at 1923. Taking the dotted line that would be 18·596; in 1931 it was 471·9. It fell to a low in 1935 of 350·2, and has now reached 417·4.

Right Hon. Mr. MEIGHEN: How is it that you show a decrease in the net debentures?

Mr. BIGGAR: Because there have been, as I understand, payments off of some of these debentures, and they have been replaced by public bonds.

Right Hon. Mr. MEIGHEN: It is only a difference between direct debt and guaranteed debt, is it not?

Mr. BIGGAR: This is only new money. I do not know whether that would really be significant.

The CHAIRMAN (Hon. Mr. Beaubien): Is it not part of the debt due the public that the Canadian Government has assumed, and which has passed from one line to the other line?

Mr. BIGGAR: That is the point. That is the reason for showing both on the same chart.

The CHAIRMAN (Hon. Mr. Beaubien): If the money furnished by the Government had been furnished in the way of new bond issues, would it be included in net debentures?

Mr. BIGGAR: Not unless they were railway bonds. They would appear in the solid cash line.

The CHAIRMAN (Hon. Mr. Beaubien): As being furnished in cash by the Government.

Mr. BIGGAR: By the Government.

Right Hon. Mr. MEIGHEN: The only line of any real significance in chart 13 is the heavy line. The other is a book-keeping transaction.

Mr. BIGGAR: It is some comparison when we come to take it with 14 and 15. Perhaps the committee would like to note that the low point, in 1924, is 55·4 millions; then the beginning of the sharp increase, which is 1931, is 164·4 millions.

Right Hon. Mr. MEIGHEN: That is a very important line.

Mr. BIGGAR: Then we come up to 1935, 494·5 millions, and then at the end we are at 532 millions.

Hon. Mr. HAIG: Are any of these debentures issued by the road not guaranteed by the Government?

Mr. BIGGAR: I think not in this period. There are some debentures for equipment.

The CHAIRMAN (Right Hon. Mr. Graham): The equipment is purchased under a new scheme whereby the Government or Parliament gives a quarter in cash and the other is supposed to be extinguished.

Hon. Mr. MORAUD: But there must be some debentures on roads taken over by the System that are not guaranteed by the Government.

Mr. BIGGAR: Yes.

Hon. Mr. MORAUD: How much?

Mr. BIGGAR: I have the capital figures which are dealt with. I do not know whether the committee will find it so or not, but I found a comparison between those two charts very interesting—I hope I am right in making it—between 13 and 14-15, which lies beside it. I found that up to 1931 the total new money that appears from 13 was 636·3, while the increase in the book value of the investment up to the same period was 471·4, indicating that 164·9 had disappeared, as it were. If you take the next period to 1935 the total amount of new money was 874·6, the total value of the investment increase was 468·5 leaving 406·1. And if you take to-day you have got up to a total of 949·4 with an increase in investment of 445·9.

Right Hon. Mr. MEIGHEN: There is one thing I cannot follow. Look at 13 and also 14-15. You start with cash advances to the C.N.R. of 72 million in 1923, and you run up to 532 millions by the end of 1937. Then look at 14-15. The line of total investment in the C.N.R. does not get any higher than 500 millions. How can the Dominion have advanced 532 millions with a total investment of only 500 millions?

Mr. BIGGAR: Because most of it was deficit.

Right Hon. Mr. MEIGHEN: That is to say the 500 millions is all that is there; the rest has gone in deficits.

Mr. BIGGAR: Yes, 485 millions is all that is there.

Right Hon. Mr. MEIGHEN: No, the 500 millions. It runs to 500 million according to the chart.

Mr. BIGGAR: The figure is 485·9.

Right Hon. Mr. MEIGHEN: The chart is very bad then.

Mr. BIGGAR: That is the figure.

The CHAIRMAN (Hon. Mr. Beaubien): Would there not be another explanation, that the amount of capital is the same, but it has been shifted from the shoulders of the public to the shoulders of the Government? The Government has reimbursed the bondholders—as it did in 1935—and has accepted the load.

Mr. BIGGAR: Yes, and accepted the load.

The CHAIRMAN (Hon. Mr. Beaubien): But the load has remained the same.

Mr. BIGGAR: But 14-15 represents the value of the investment, quite independently of what it has cost.

I need not trouble the committee, I think, with the pay-roll charts, 16A and 16B. There is nothing very significant about them except that the form of the curves is more or less the form of the total revenue curves.

The next two charts, 17 and 18, are very interesting.

Hon. Mr. CÔTÉ: May I ask whether there is a chart showing all the money that went into the C.N.R. either from the sale of bonds or the vote of Parliament?

Mr. BIGGAR: That is No. 13.

Hon. Mr. CÔTÉ: I understood that 13 did not include votes of Parliament.

Mr. BIGGAR: All outside money. It is the net debenture debt and the cash advances, including deficits.

Turning to No. 17, the broken line represents the interest on debt held by the public from year to year. And the lower line, the solid line, represents the income of the Canadian National before the payment of any interest to anybody. You will observe that the amount of interest due to the public begins in 1923 at \$35,000,000. It goes to a peak of 56.9 millions in 1932, and finished up in 1937 at 50.6 millions.

For my own understanding of the situation I have divided that into three periods. The first period runs from 1923 to 1928. There is a comparatively small area where the solid line is below the broken one. That comparatively small area represents 54.3 millions and the number of years is six, I think; in which event it would be an average of 9 millions a year. The next period is 1929, 1930 and 1931, just three years, and the amount that is represented by the area between the continuous and the broken line is 109.8 millions, or an average of about 35 millions a year. Of that, 3 millions may have been in cash, but at least 106.8 millions of it was in bonds; and the whole of the 54.3 millions of the first period I mentioned was in bonds. So that we may, for practical purposes, say that there were 163 millions of bonds added to the burden on Canada during that time. Then, taking the remaining years, 1932 to 1937, six years, the total amount represented by that spread between the two lines is 305.8 millions, or an average of 50 millions a year. So that the increase in the first period is 9 millions a year, in the second period it is 35 millions a year and in the third period, 50 millions a year.

Hon. Mr. MORAUD: What is meant by that, "held by public"?

Mr. BIGGAR: It means the amount that has to be paid before anything comes to the public of Canada in relief of taxes, the amount of interest that has to be paid to other people before Canada can get anything in relief of taxes.

Hon. Mr. MORAUD: Including the purchase price that has been absorbed by the Government?

Mr. BIGGAR: Oh yes, all the money held by the public on which interest has to be paid.

The CHAIRMAN (Right Hon. Mr. Graham): Held by investors.

Hon. Mr. MORAUD: Only held by investors? That is a different thing.

The CHAIRMAN (Right Hon. Mr. Graham): Not by the Government.

Hon. Mr. CÔTÉ: Mr. Biggar, I think your answer to Senator Moraud is not quite accurate.

Hon. Mr. MORAUD: I do not think so.

Mr. BIGGAR: I am told that that is quite right, that that dotted line represents the amount of interest due on Canadian National loans.

Hon. Mr. HAIG: Held by the public.

Hon. Mr. MORAUD: Do you mean the Government and the public?

Mr. BIGGAR: No, the public, before the Government gets a red cent. I thought that was significant; I may have been wrong, but I thought that was significant, because the Government, or Canada, the Dominion, is at the same

time a second mortgagee and owner of the equity of redemption, and it did not seem to me to matter very much in which of those two capacities it got any money after the other preceding creditors had got theirs.

Hon. Mr. CÔTÉ: But still, Mr. Biggar—let me get this clear—this charge 17 is drawn on the basis of the law which we passed last year?

Mr. BIGGAR: No, it has nothing to do with the balance sheet, really. I am coming to the question of the balance sheet, but for the present we are dealing with these properties, no matter how the books were set up.

Hon. Mr. CÔTÉ: But when you say "Interest on debt held by public," you mean interest on bonds or debentures held by individuals, by the public?

Mr. BIGGAR: Other than the Government of Canada.

Hon. Mr. CÔTÉ: Other than any claim which the Dominion of Canada might have?

Mr. BIGGAR: Yes, quite so.

Hon. Mr. CÔTÉ: That is the question which Senator Moraud asked.

Hon. Mr. MORAUD: The amount might clarify the whole thing. What is the amount held by the public?

Mr. BIGGAR: I am coming to the figures. I am leaving that until we come to the actual figures, because they involve some bookkeeping problems. We shall have the figures in a few minutes.

Chart 18 is the corresponding curves with relation to the Canadian Pacific. In this case the amount of the fixed charges of the Canadian Pacific is represented by the lower line, the broken line; and the upper line, the continuous and dark line, represents that company's income before interest. You observe that there is a very substantial space between the two lines until you come to 1932, when the two are almost coincident. In 1934 there is a slight peak which goes down again in 1935 and rises again in 1937. And there are one or two remarks to be made about that. In the first place, that little peak in 1934 and part of the position in 1933 is due to the fact that in those two years there was a slight change in the Canadian Pacific's practice with regard to depreciation on steamships which had been charged before in advance or ascertaining the income before interest and was in those years not charged till afterwards. So that really if the books had been kept always on the same basis, I understand that the line between the 1932 point and the 1935 point would be almost straight. Another thing is that the dotted line in 1937 is lower than it might have been, by reason of the fact that it does not include a payment of \$1,800,000 that was made by the Canadian Pacific in 1937 in respect of bonds of the Minneapolis, St. Paul and Sault Ste. Marie railroad in the United States.

Right Hon. Mr. MEIGHEN: Do you mean in redemption of bonds?

Mr. BIGGAR: No, but by way of interest on bonds.

Right Hon. Mr. MEIGHEN: By virtue of a guarantee?

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: That is very important. I was going to say about that.

Mr. BIGGAR: That is the reason I am calling the Committee's attention to that. That dotted line really ought, in a way, to go up \$1,800,000 in 1937.

The CHAIRMAN (Hon. Mr. Beaubien): You continue there, Colonel Biggar, to treat the Canadian Pacific as simply a Canadian institution?

Mr. BIGGAR: Yes. We have not got separate figures.

The CHAIRMAN (Hon. Mr. Beaubien): And you continue to leave out the Canadian Pacific's American lines?

Mr. BIGGAR: Yes. But the Minneapolis, St. Paul and Sault Ste. Marie is a separate line altogether.

The CHAIRMAN (Hon. Mr. Beaubien): But the bonds are guaranteed by the Canadian Pacific. In one case the capital is guaranteed and in another case the interest is.

Mr. BIGGAR: I do not think I need trouble you with any remarks on chart 19—

Right Hon. Mr. MEIGHEN: Before you go to that, you mentioned that in 1937 the Canadian Pacific had paid interest, by virtue of this guarantee, on bonds of the Minneapolis road, and it amounted to a huge sum, \$1,800,000. Had that interest been taken care of independently of guarantee by earnings previous to that?

Mr. BIGGAR: There was no payment by the Canadian Pacific, I understand, before 1937 in respect of interest on those bonds.

Right Hon. Mr. MEIGHEN: Was this an accumulation?

The CHAIRMAN (Hon. Mr. Beaubien): Was that payment made out of earnings of the Canadian Pacific during that year?

Hon. Mr. HAIG: Their report so shows.

Mr. BIGGAR: Then I need not trouble the Committee with remarks about chart 19—

Right Hon. Mr. MEIGHEN: What I should like to know is, is that a continuing guarantee? Mind you, we are here concerned with both systems, not merely with one.

Mr. BIGGAR: I understand it is—

Right Hon. Mr. MEIGHEN: And is it in about an equal amount?

Mr. BIGGAR: What do you mean?

Right Hon. Mr. MEIGHEN: Will the extent of the guarantee aggregate that million odd dollars from year to year, assuming that the money will be earned?

Hon. Mr. HAIG: I do not think you had better answer that question.

Mr. BIGGAR: It depends upon what happens in the receivership.

Hon. Mr. HAIG: There is a legal point involved, a very serious one, and their report shows that they know that, because they say they are advised that they are not liable after a certain time.

Hon. Mr. MORAUD: Are there not two issues of Minneapolis, St. Paul and Sault Ste. Marie railway bonds? One is guaranteed, there is no doubt about that, and there is a legal argument with respect to interest on the other, is that not it?

Mr. BIGGAR: I think that is the position. But I was only dealing with the actual results of the operation. And as I say, I do not think I need make any remarks about chart 19; that is just a combination of the dark lines on charts 17 and 18.

And there are very few remarks to be made about chart 20. You will observe that the net debt of Canada has gone up, roughly speaking, about half a billion dollars in the period, from 2.4 to 3.08 billions, the low point having been in 1930, when it was 2.17 billions. But the interest has fallen more than proportionately, by refunding and so on, so that notwithstanding the increase in the amount of the debt there is a slight decrease in the net charge for interest between the beginning and end of the period, the decrease being from 37.8 millions to 137.4 millions.

The CHAIRMAN (Right Hon. Mr. Graham): That is on account of the rate?

Mr. BIGGAR: That is on account of the rate.

Hon. Mr. COTE: What part of that debt of Canada is to be attributed to contributions in connection with the railways?

Mr. BIGGAR: I am coming to that question of capital.

The next four charts, Nos. 21 to 24, are on general topics. I thought that what they showed would be interesting to the Committee. The first one, No. 21, is probably the least interesting. It simply shows the amount of grain and, separately, the amount of wheat, carried by all Canadian railways. You will observe that it has dropped from 13.5 to 6.1, a drop of fifty-five per cent. That drop is really due, no doubt, to the harvest, because the figure for the high harvest year of 1928 went up to 19.8.

Chart 22 shows the freight shipped through the Welland Canal. The traffic passing through the Welland Canal during this period increased from 3.4 million tons to 11 million tons, in other words an increase in tonnage through the Welland Canal of 222 per cent. And that was notwithstanding that during part of the time there was not much in the way of wheat, for the amount of wheat had fallen, as shown on chart 21. And that spread between the Canadian agricultural products and the total shown on chart 22 is, speaking generally, constantly widening spread. The same sort of inference is to be drawn from chart 23 with regard to freight to and from Canadian ports through the Panam Canal. We start at the beginning of this period with 1,000,000 tons, we finish with 4,300,000 tons—an increase of 319 per cent. Of course, this does not mean that anything like that has been lost to the railways, for some of it has gone west instead of east. That is, some of it has been hauled to Vancouver instead of being hauled east and shipped from eastern ports.

Hon. Mr. DANDURAND: The haul to the West would be shorter.

Mr. BIGGAR: Not necessarily. As a matter of fact the point at which it becomes cheaper to ship one way or the other varies constantly, I understand, senator.

The CHAIRMAN (Hon. Mr. Beaubien): In your chart 22 showing the total freight and Canadian agricultural products, is there anything to indicate how much of the total freight is made up of American products?

Mr. BIGGAR: Do you mean in the American import sense?

The CHAIRMAN (Hon. Mr. Beaubien): American boats that transport our own wheat, for instance. Would that be included in the total freight?

Mr. WRONG: That includes all freight to or from Canadian ports between two Canadian ports. For instance, coal from a United States port to a Canadian port would be included in that total, also pulpwood from a Canadian port to a United States port, and wheat from a Canadian port to a Canadian port.

The CHAIRMAN (Hon. Mr. Beaubien): Which means that the total freight may contain, first, a lot of American agricultural products and, second, a lot of Canadian agricultural products as well.

Mr. WRONG: With this distinction, senator, it includes only freight coming to or going from Canada; it does not include any freight between two American ports.

The CHAIRMAN (Hon. Mr. Beaubien): It does not?

Mr. WRONG: No.

Hon. Mr. HAIG: I presume that wheat going from an Illinois point to Montreal and unloaded there would be included in the total.

Mr. BIGGAR: The concluding chart struck me also as being quite interesting. It is a little difficult to follow in detail, but the general picture it suggests is simple. There are three lines that come more or less together towards the top. The most prominent line running up high in 1929 is the curve showing

the amount of bank debits year by year. It is suggested that the high point in 1929 is at least in part, if not wholly, due to the shock speculation of that and the preceding years. From its peak in 1929 it dropped to a new low point in 1932, then goes up in 1934, drops in 1935, goes up again in 1936, and drops lightly in 1937. The next below, the one with long broken lines, represents volume of manufacturing production. The third, with short broken lines, represents the gross value of production adjusted for price change. None of these lines separately would be significant, but taken together and compared with the railway revenues represented by the dark line towards the bottom, it will be noticed that the interval between what one might call the average of the three top lines and the bottom line appear to be constantly widening. Of course, they start together in 1923 because in that year the existing values of each of those things are taken as 100.

Right Hon. Mr. MEIGHEN: An arbitrary figure.

Mr. BIGGAR: Yes, that is arbitrary. But the spread afterwards is rather striking.

Right Hon. Mr. MEIGHEN: It shows that the railways have since 1923 ceased to enjoy the benefit of such measure of prosperity as the country enjoyed.

Mr. BIGGAR: They did not get their share of the business of the country.

Right Hon. Mr. MEIGHEN: Yes.

Mr. BIGGAR: I made a short note in regard to that which may interest the committee. Taking the average of the three lines, the number of points down between that average and the dark line in 1926 is 8, in 1929 it is 41, in 1932 it is 35, and in 1935, which is the last one we have complete figures for, it is 54. But if you take the average of volume of manufacturing production with that of the gross value of production adjusted for price change, you get a series which is even and does not go up to a peak in 1929. It gives you 5 for 1926, 35 for 1929, 39 for 1932, and 78 for 1935.

That, gentlemen, covers the charts. Taking those together with the tables we have a number of relevant figures. I do not think all are given, for it would be impossible to deal with them all in that pictorial way. I wanted to deal with them pictorially because, I must confess, I know it is difficult to carry a long series of figures in one's head.

With regard to capital and matters of that kind, the Bureau of Statistics have been good enough to furnish me with all the remaining copies they have in hand of two other pamphlets, both issued last year. One, dealing with the Canadian National Railways, gives all the relevant figures in regard to its accounts from 1923 to 1936 the other gives similar information with regard to the Canadian Pacific.

Hon. Mr. BUCHANAN: Before Mr. Biggar leaves the Panama Canal table, may I ask him whether it would not be possible to break that down into commodities? For instance, could we not find out how much grain, lumber and newsprint has been handled, so as to ascertain the amount of business taken away mostly from the railroads by reason of the opening of the Panama Canal?

Mr. BIGGAR: You mean each commodity separately?

Hon. Mr. BUCHANAN: Grain, newsprint and lumber.

Mr. BIGGAR: That can be done, Mr. Wrong tells me.

Right Hon. Mr. MEIGHEN: Mr. Biggar, it seems to me this gives us the material pretty well up to the end of 1937. But could we not have a statement from both systems of their revenues and expenses for the months since?

Mr. BIGGAR: Yes. I had almost forgotten, senator, to state that I secured those figures this morning. I will give them now. For the three months to March 31 the Canadian National revenues were down \$3,700,000.

Right Hon. Mr. MEIGHEN: From a year ago?

Mr. BIGGAR: From a year ago. Their expenses were up \$2,294,000. So that the net worsening of this situation by comparison with a year ago was \$6,048,000.

The CHAIRMAN (Hon. Mr. Beaubien): In three months?

Mr. BIGGAR: In three months. The corresponding figures for the Canadian Pacific are: revenues down \$1,501,000, expenses up, \$894,000; net down \$2,395,000.

The committee, I think, will find in these Canadian Pacific and Canadian National statements all the relevant figures with regard to capital, debenture issues, cash deficits, interest on Government-held securities, and special deficits with regard to Canadian National Eastern Lines.

Right Hon. Mr. MEIGHEN: Before you pass to that, Mr. Biggar, can you give us the elements constituting the increase in those expenses? They are increased \$2,000,000 in one case and \$800,000 in the other.

Mr. BIGGAR: I suppose it can be done. We can get it from the railway witnesses if they have not got it in the Bureau.

Right Hon. Mr. MEIGHEN: It seems remarkable that with a diminution of revenues the expenses should go up.

Mr. BIGGAR: I understand that there has been some arrangement as to wages.

Right Hon. Mr. MEIGHEN: Is it all due to wages?

Mr. BIGGAR: We can find that out.

Hon. Mr. PARENT: How does it compare with the same period last year?

Mr. BIGGAR: That is the way I have the figures. Compared with last year it is down in revenue and up in expenses.

I am not going to pretend to ask the committee to follow me through this. I have made such examination of it as I can. One would have to be something more than a Philadelphia lawyer in the way of accountancy to follow these figures and make sure your inferences are correct. That is why I wanted to depend on figures I could understand. But all the information up to 1936 is there. Such further information as the committee wants with respect to 1937 can be got from the tables.

Right Hon. Mr. MEIGHEN: Could you not give us copies of those results for the three months to complete our material?

Mr. BIGGAR: I could get it.

The CHAIRMAN (Right Hon. Mr. Graham): Short periods are not a sound method of making up either expenditures or receipts in any business. One statement may be made on the last day of the month, while a corresponding statement by another company may be made on the 3rd of the next month—altogether different periods.

Right Hon. Mr. MEIGHEN: But the seasonal features would correspond with the seasonal features a year ago.

The CHAIRMAN (Right Hon. Mr. Graham): Yes.

Hon. Mr. CÔTÉ: Mr. Biggar, may I revert to the question I asked you a moment ago: what part of the net debt of Canada shown on table 20 can be attributed to contributions made by Canada to the two railways?

Mr. BIGGAR: I discussed that, and it is really a question which it is impossible to answer. You may pay railway deficits out of a budget surplus or you may borrow the money. But even if you pay it out of a budget surplus you may go and borrow a corresponding sum for something else on which otherwise you would have spent your budget surplus.

Hon. Mr. CÔTÉ: That is why I put my question in that form, contribution to the railroads.

Mr. BIGGAR: You can say how much Canada's net debt would have been if contributions had not been made to the railways, you can go on guessing how you would have spent it on something else.

Right Hon. Mr. MEIGHEN: The plain answer is that the amount of contributions is the measure of the debt.

Mr. BIGGAR: Yes.

Hon. Mr. CÔTÉ: Could we get an answer as to what the contributions were?

Mr. BIGGAR: Oh, yes, they are given in chart 17. Mr. Wrong tells me that you will find a more complete answer on page 7 of the Canadian National pamphlet, in the 3rd and 4th columns. All those figures are there in G, H, and on.

Hon. Mr. Côté: What is the page?

Mr. BIGGAR: Pages 6 and 7.

Now, just as a matter of convenience, I would suggest that these charts and tables be called, for purposes of reference, Exhibits 1 to 24, and that in the proceedings the tables should be associated with the charts in order that they may be readily understood. We will call each chart an exhibit of itself.

Right Hon. Mr. MEIGHEN: The whole book will be Exhibit 1?

Mr. BIGGAR: I was going to call the charts individually exhibits, because they will not appear in this form in the proceedings. Then the Canadian National pamphlet from 1923 to 1936 would be Exhibit No. 25, and the Canadian Pacific pamphlet would be Exhibit No. 26.

Charts and Tables 1 to 24 filed and marked Exhibits 1 to 24.

Canadian National Railways pamphlet filed and marked Exhibit 25.

Canadian Pacific Railway pamphlet filed and marked Exhibit 26.

Hon. Mr. MORAUD: Do I understand you have prepared a statement as to the American railways?

Mr. BIGGAR: I have the figures here, if you would like to have them. They are for two months only, not for three months.

The CHAIRMAN (Right Hon. Mr. Graham): Would you like to hear these figures?

Hon. Mr. PARENT: Yes. We will have them printed to-morrow.

Mr. BIGGAR: The figures with which I have been supplied this morning in connection with the United States apply to only two months.

Hon. Mr. DANDURAND: For what railway?

Mr. BIGGAR: For all the Class 1 railways in the States. The revenues of all of them for the first two months were down \$123,190,000; their expenses were down \$49,633,000; and the net was down \$73,557,000.

Hon. Mr. MORAUD: For how many railways?

Mr. BIGGAR: Mr. Franklin can tell me how many there are in Class 1.

Mr. FRANKLIN: There are over 100.

Right Hon. Mr. MEIGHEN: Was there an increase in wages in the United States over the period too?

Mr. BIGGAR: There was an increase in the latter part of last year.

Hon. Mr. MURDOCK: But the increase was completely implemented in the United States, whereas in Canada it was not until the beginning of this year and on up to the first of April.

Right Hon. Mr. MEIGHEN: But there was an increase in the United States as compared with the same two months of last year. And the same here.

Hon. Mr. HARDY: Does chart 11-12B, "C.P.R. Revenues and Expenses" relate exclusively to rail, or does that include steamship operation?

Mr. BIGGAR: Yes, the Canadian Pacific figures include the steamships.

Hon. Mr. HARDY: Then that does not give an exact and true picture as to the rails alone.

Mr. BIGGAR: It does not include ocean steamships. It includes their steamships, but not ocean steamships.

Hon. Mr. HARDY: That is the point I want.

Hon. Mr. MORAUD: And no revenue from other sources, smelters and so on?

Mr. BIGGAR: No. That would be included, however, as I understand it in that curve relating to net income before interest, which is in one of the other charts.

Right Hon. Mr. MEIGHEN: But the C.N.R. has certain steamships, and they would be included in the same way.

Mr. BIGGAR: Just the same way as the C.P.R.

Now, gentlemen, there are one or two other things that I think might as well be dealt with at the moment.

The CHAIRMAN (Hon. Mr. Beaubien): I understand that the increase in expenses is due in large part to the increase in wages. Would you take a note to find out whether our men in Canada are paid on the same scale as the men in the United States?

Mr. BIGGAR: Those figures are all available.

The figures I have submitted to the committee in any of these previous exhibits do not relate at all to the Hudson Bay Railway, and I think the committee would like to have the figures with regard to that.

Hon. Mr. HAIG: The least said the soonest mended.

Mr. BIGGAR: All right, I do not insist.

The CHAIRMAN (Hon. Mr. Beaubien): Oh, we must have that.

Mr. BIGGAR: I have a series of statements, the effect of which I can give to the committee. The total capital expenditure up to March 31 last was 54.8 millions. The operating deficits for the two years 1935-36 and 1936-37, and the estimated deficit for 1937-38 are as follows: \$335,869; \$359,768; and \$138,000. These figures that I have include figures with regard to the freight that has been carried on the line and the number of passengers carried on the line, so any information that is desired about that railway is readily available.

The CHAIRMAN (Hon. Mr. Beaubien): Have you got the tonnage?

Mr. BIGGAR: The tonnage and the number of passengers.

The CHAIRMAN (Hon. Mr. Beaubien): Just give them rapidly.

The CHAIRMAN (Right Hon. Mr. Graham): The benefit of reading these is that you will find them in the record of to-day that you will have to-morrow.

Mr. BIGGAR: The number of passengers has fallen from 11,047 in 1930 to 6,956 in 1937.

Hon. Mr. DANDURAND: Is that due to the aeroplanes?

Mr. BIGGAR: I suppose. The total tonnage has fallen from 38,799 tons in 1930 to 11,976 tons in 1937. That is the revenue tonnage in each of those years. The statement I have before me analyses that and gives the amount of each particular variety of freight. The 1930 figure includes no wheat. The 1937 figure includes 26 tons of wheat. A considerable part of the drop in revenue freight has been in lumber, timber, box and crate material. This was 11,073 tons in 1930, and had fallen to 228 tons in 1937. Bituminous coal had fallen from 9,080 tons in 1930 to 1,504 tons in 1937. There are other corresponding drops.

The CHAIRMAN (Hon. Mr. Beaubien): What was the bulk of the freight in 1937?

Mr. BIGGAR: There was 1,504 tons of bituminous coal, 1,075 tons of petroleum oil and other petroleum products, and 1,884 tons of manufactures. The less than carload freight totalled 3,140 tons.

Hon. Mr. SINCLAIR: Could not those figures be put in the proceedings in tabular form?

Mr. BIGGAR: They will be Exhibit No. 27, and will form part of the proceedings.

(Statement *re* Hudson Bay Railway filed and marked Exhibit 27.)

This gives the same kind of information that we have about the other railways.

Hon. Mr. HAIG: Before you leave the charts, may I ask if the C.P.R. revenues include the revenues from lands and from investments outside of the railways, like smelters and things of that character?

Mr. BIGGAR: They do when they are all net income before interest; they do not when they deal merely with railway operating expenses.

Hon. Mr. HAIG: You have not a breakdown of these figures?

Mr. BIGGAR: How do you mean, a breakdown?

Hon. Mr. HAIG: From 1923 to 1937 the C.P.R. had a revenue from activities outside of railway operations, such as smelters, land, steamships and the like, which the C.N.R. did not have. Can that be broken down?

Mr. BIGGAR: That is all to be found in Exhibit 25 or 26, whichever it is that relates to the Canadian National.

Then there are some other figures with regard to the Maritime freights that might be dealt with at the moment, because that is the only other thing I know of that is relevant in the way of figures. Perhaps the committee would like me to state the effect of it. The total payments under the Maritime Freight Rates Act for the years 1927 to 1936 to railways other than the Canadian National was \$6,849,049.62.

Hon. Mr. DANDURAND: What are you covering there?

Mr. BIGGAR: What is paid under the Maritime Freight Rates Act. And the total for all railways, which includes the C.N.R. deficits due to the 20 per cent tolls reduction, amounts to \$24,669,745.43. The corresponding figures for 1937 are \$794,951.96 and \$3,182,457.77. I think that this summary statement will suffice? You would not want all this long statement that I have here read into the proceedings, Mr. Chairman?

The CHAIRMAN (Right Hon. Mr. Graham): I should think not.

Hon. Mr. SINCLAIR: These figures are not included in the tables you have given us?

Mr. BIGGAR: No; these are completely new figures.

The CHAIRMAN (Hon. Mr. Beaubien): The first group of figures that you have us apply to the Canadian Pacific only?

Mr. BIGGAR: No, to eight railways.

The CHAIRMAN (Hon. Mr. Beaubien): There cannot be very much comparison between the Canadian Pacific and the Canadian National?

Mr. BIGGAR: The Canadian Pacific figure is \$2,202,000.

The CHAIRMAN (Hon. Mr. Beaubien): And the total amount of the first group?

Mr. BIGGAR: That is \$24,000,000.

The CHAIRMAN (Right Hon. Mr. Graham): These are amounts paid under statute?

Mr. BIGGAR: Under a statute.

The CHAIRMAN (Hon. Mr. Beaubien): And as to the second group of figures, they all apply to the Canadian National, do they, or to other railways as well?

Mr. BIGGAR: It is somewhat difficult for me to divide them into first and second groups. I gave the figures for all the railways except the Canadian National, and then the Canadian National deficits due to the 20 per cent tolls reduction are included in the second figure.

Hon. Mr. MURDOCK: We should have that grouping of railways.

Mr. BIGGAR: It is all here. I think that this one sheet gives all the information, but if any member of the Committee finds that it does not, we can get further details later.

Statement *re* Maritime Freight Rates Act—Total payments on account to December 31, 1937, filed and marked as Exhibit 28.

Hon. Mr. PARENT: If this is an exhibit, Mr. Biggar, do you not think it should appear in the record of proceedings?

Mr. BIGGAR: That will appear in the record.

Hon. Mr. PARENT: I thought I heard you say that there was one you did not intend to have included.

Mr. BIGGAR: This big sheet (indicating Exhibit 28) contains the details of what is going into the record.

The next subject I was going to suggest the Committee should attack was the subject of co-operation, and particularly with regard to the activities of the Joint Co-operative Committee, members of which the Committee desired to hear first. In that connection, having regard to the hour, I think that the best thing I could do would be to submit to the Committee now, so that honourable members will have an opportunity to look at it before to-morrow morning a joint statement by the chairman of the two sections of that committee, the Canadian Pacific chairman and the Canadian National chairman. Really it was at my suggestion that they made a joint statement with regard to the activities of that committee. As a matter of fact it took me the best part of three days to get the information for the statement, and I thought that was much the most convenient way for the Committee to get it, because it ought to save about four hours of sitting. If necessary we can read it to-morrow morning, but in advance I asked Mr. Hinds to have it printed, so that there are now available printed copies in the form in which it will go into the record.

Hon. Mr. DANDURAND: Is it a long statement?

Mr. BIGGAR: It is quite a long statement.

Right Hon. Mr. MEIGHEN: How do we get 28 exhibits?

Mr. BIGGAR: I am marking the charts and tables separately, so that they can be referred to by number without causing confusion.

The CHAIRMAN (Right Hon. Mr. Graham): I suppose members of the Committee will expect to secure all the information they want by asking witnesses to explain this statement.

Hon. Mr. DANDURAND: I see that copies of the statement are now being distributed.

Mr. BIGGAR: Yes. So that there will be plenty of time for the Committee to look at it before to-morrow morning.

Hon. Mr. MORAUD: Mr. Chairman, as a member of the Senate who is not a member of this Committee, may I renew an application? Could we have copies of these exhibits before they are dealt with? This morning there were apparently only some twenty copies, and even some members of the Committee were unable to get any. Those of us here who are not members of the Committee are also much interested in the proceedings, and I do not see why we should not have copies of these documents.

Hon. Mr. MURDOCK: Mr. Chairman, are we going to see maps that were referred to, I think, at our previous meeting, showing the 5,000 miles of railway with respect to which there was some proposal as to abandonment?

Mr. BIGGAR: The view that I myself had formed—of course, I am subject to the Committee's views—was that we would be rather unwise to anticipate proposals that might be made in 1938 by reference back to proposals which were made, if they were made, in 1931 or 1932, and that we would be more regular in our procedure if we dealt with the question of co-operation, which the Committee has directed should be dealt with, first, and then went on to the other questions that arise, and see what proposals are made now.

Right Hon. Mr. MEIGHEN: When those proposals are brought out the maps should be produced to show them, of course.

Mr. BIGGAR: Exactly.

Hon. Mr. MURDOCK: But I think there has been a suggestion long since 1931 to abandon 5,000 miles of railway; I think we have heard of it within recent months.

Mr. BIGGAR: I have not heard anything—

Hon. Mr. MURDOCK: I think it was understood at our last meeting that the Committee would like to know where those particular questions of both the Canadian Pacific and the Canadian National lines are that would be abandoned under the proposal to abandon a large amount of mileage.

Hon. Mr. HAIG: We should let the men come forward with their suggestions and then show us what they want to do. I do not think it would be fair to ask them for it in advance.

The CHAIRMAN (Hon. Mr. Beaubien): I understand there are certain members of the Committee who have not had copies of exhibits, and besides here are a number of other senators who do not belong to the Committee who have been unable to obtain exhibits. Do I understand they will all be included in the record?

Mr. BIGGAR: That was the idea, that they should all be included in the record.

Hon. Mr. MORAUD: That is all right. But this morning those who wanted to follow the proceedings found it difficult to do so if they did not have these charts and tables. It would have been easy to have printed more instead of the twenty or so copies that were printed.

Mr. BIGGAR: I will say this, in exculpation, that the Committee very nearly came to having none of these things before it this morning, that enormous efforts were put forth at the Bureau of Statistics to get them out at all, and myself did not see them in anything except sketch form until 4 o'clock yesterday afternoon.

Hon. Mr. MORAUD: I do not mean to blame anyone.

Mr. BIGGAR: No, I know. As a matter of fact, I do not know whether more copies can be got. They were done by a special process, very quickly, not at the Bureau, merely in anticipation of their being useful to the Committee.

Hon. Mr. HAIG: Senator Moraud thinks there should be more copies the next time.

Mr. BIGGAR: We had, I think, forty of them made, but they have faded away.

Right Hon. Mr. MEIGHEN: These charts should be distributed to Senator Moraud and others who want them.

Mr. BIGGAR: I quite agree.

The CHAIRMAN (Hon. Mr. Beaubien): Is it agreed that the members of the Joint Co-operative Committee who will be here as witnesses will have information as to the lines that it has been agreed to abandon, and the abandonments that have been sanctioned by the Railway Board as well as those that

have been refused by the Railway Board, and also proposed abandonments which are being studied now ? Will they have with them maps to show us the location of those abandonments and proposed abandonments?

Mr. BIGGAR: They have been warned to have those.

The CHAIRMAN (Right Hon. Mr. Graham): I think they will. And I imagine that these witnesses will be asked all about these matters. It will come out before we are through.

Hon. Mr. MURDOCK: The Board of Railway Commissioners has had before it only some 600 miles, from the two railways. Now, it has been said, whether rightly or wrongly, that unification would make possible the abandonment of 5,000 miles. Where would that mileage be?

Mr. BIGGAR: The witnesses will be able to discuss the question of abandonment.

Hon. Mr. PARENT: I share Senator Murdock's views on this particular matter. It has been stated all over the country often enough that four or five thousand miles of railway could be eliminated without causing suffering to anyone. Well, I suggested on the floor of the Senate, when speaking on the debate that Senator Beaubien started with his very able speech, that we should have maps here showing exactly the position of the lines that it was proposed to abandon and the numbers of people who would be affected thereby, so that we should be in a position to judge whether such abandonments should be made. I should have liked to have this information before we get very deeply into the matter.

The CHAIRMAN (Right Hon. Mr. Graham): My colleague and I believe that we shall not go very far before we run up against that matter, and that the Committee will want to get all the possible information about it.

Right Hon. Mr. MEIGHEN: Including maps.

The CHAIRMAN (Hon. Mr. Beaubien): And I should like to add that the witnesses ought to be advised in advance that these questions are coming up so that they will be prepared.

Right Hon. Mr. MEIGHEN: They know that.

The Committee adjourned at 1 p.m. until 11 a.m. to-morrow.

(For charts and tables referred to herein see Exhibits 1 to 28 in proceedings No. 4.)

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

**INQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO**

No. 4

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

CONTENTS:

EXHIBITS 1 to 28

(Charts and Tables)

OTTAWA
J. O. PATENAUDE, L.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1938

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1933)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

LIST OF EXHIBITS

(Charts and Tables)

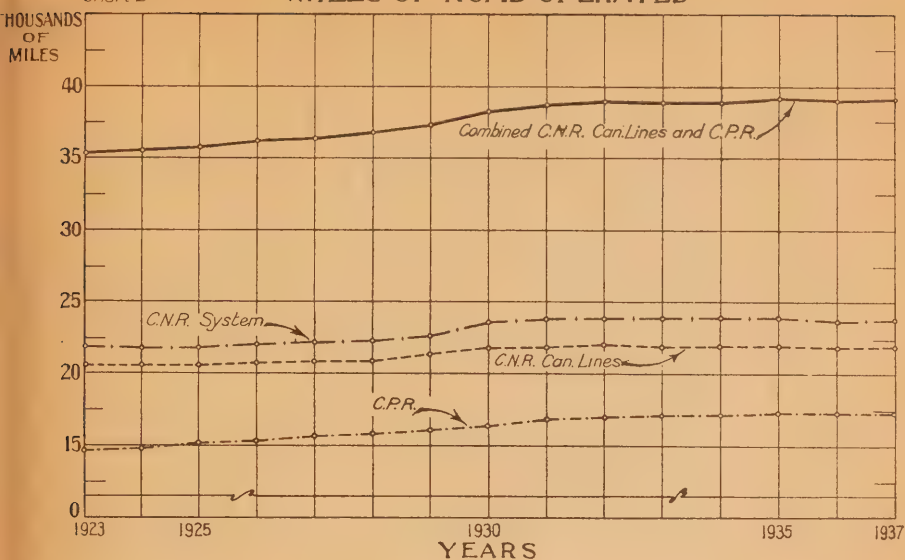
No.

1. Chart showing railway mileage, population, railway revenues, and motor vehicle registrations, 1867-1936.
2. Miles of road operated.
3. C.N.R.—C.P.R. tons of freight carried.
4. C.N.R.—C.P.R. number of passengers carried.
5. C.N.R.—C.P.R. revenue ton miles.
6. C.N.R.—C.P.R. revenue passenger miles.
7. C.N.R.—C.P.R. freight traffic density.
8. C.N.R.—C.P.R. passenger traffic density.
9. Average length of haul—freight.
10. Average passenger journey.
- 11 & 12. C.N.R.—C.P.R. Gross revenues and operating expenses.
13. C.N.R. System. Debentures held by public.
- 14 & 15. C.N.R.—C.P.R. total investments, 1923-1937.
16. C.N.R.—C.P.R. total pay roll, 1923-1937.
17. C.N.R. System. Net income before interest and interest on debt held by public, 1923-1937.
18. C.P.R. Net income before interest and interest on funded debt, 1923-1937.
19. C.N.R. System—C.P.R. Net income before interest, 1923-1937.
20. Net debt of Canada and interest on public debt, 1923-1937.
21. All Canadian Railways. Grain and grain products loaded in the Prairie Provinces, 1923-1937.
22. Welland Canal. Freight to and from Canadian ports.
23. Panama Canal. Freight to and from Canadian ports.
24. Index numbers, 1923-1937.
25. C.N.R. Revenues, expenses, etc., 1923-1936.
26. C.P.R. Revenues, expenses, etc., 1923-1936.
27. Hudson Bay Railway and Terminals. Expenditure, revenue, operating expenses, etc.
28. Maritime Freight Rates Act. Payments to Dec. 31, 1937.

EXHIBIT No. 2

Chart 2

MILES OF ROAD OPERATED

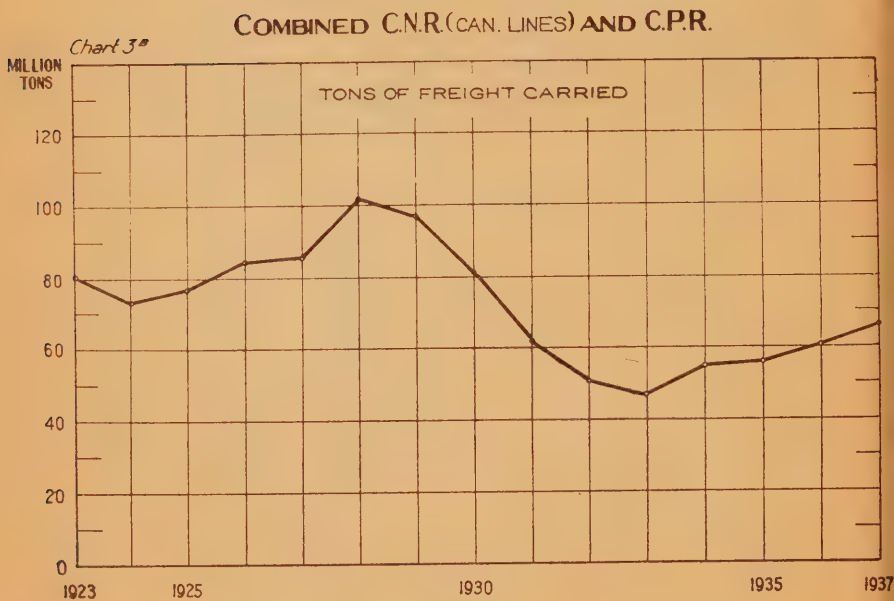
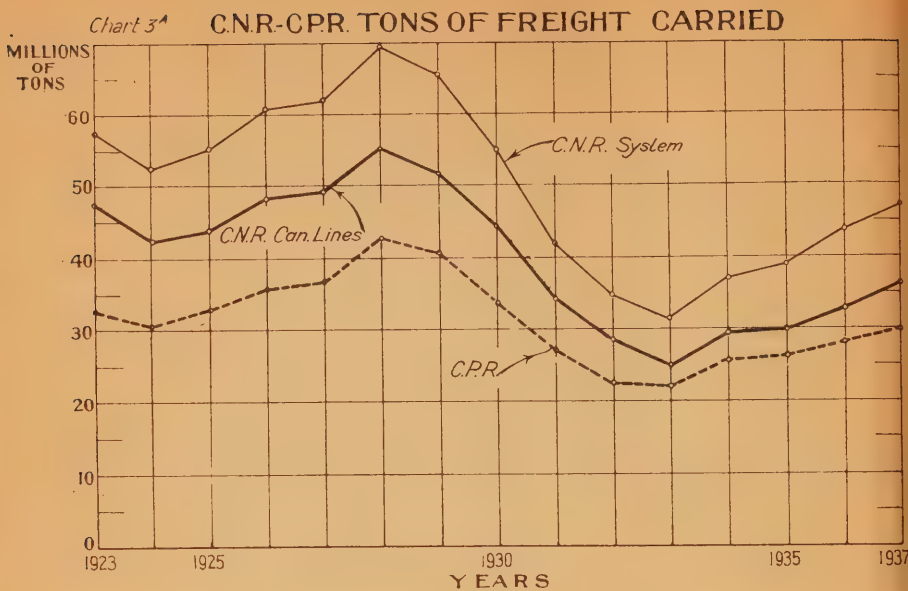


MILES OF ROAD OPERATED

TABLE 2.

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System	Total (Cols. 2+3)
	1	2	3	4
23.....	21,805	20,646	14,617	35,263
24.....	21,866	20,665	14,846	35,511
25.....	21,936	20,606	15,175	35,781
26.....	22,066	20,796	15,372	36,168
27.....	22,193	20,854	15,600	36,454
28.....	22,277	20,937	15,819	36,756
29.....	22,628	21,288	16,090	37,378
30.....	23,650	21,819	16,416	38,235
31.....	23,769	21,950	16,745	38,695
32.....	23,773	22,052	16,888	38,940
33.....	23,743	21,941	17,030	38,971
34.....	23,676	21,935	17,015	38,950
35.....	23,652	21,908	17,222	39,130
36.....	23,554	21,792	17,241	39,033
37.....	23,707	21,804	17,223	39,117

EXHIBIT No. 3



TONS OF FREIGHT CARRIED

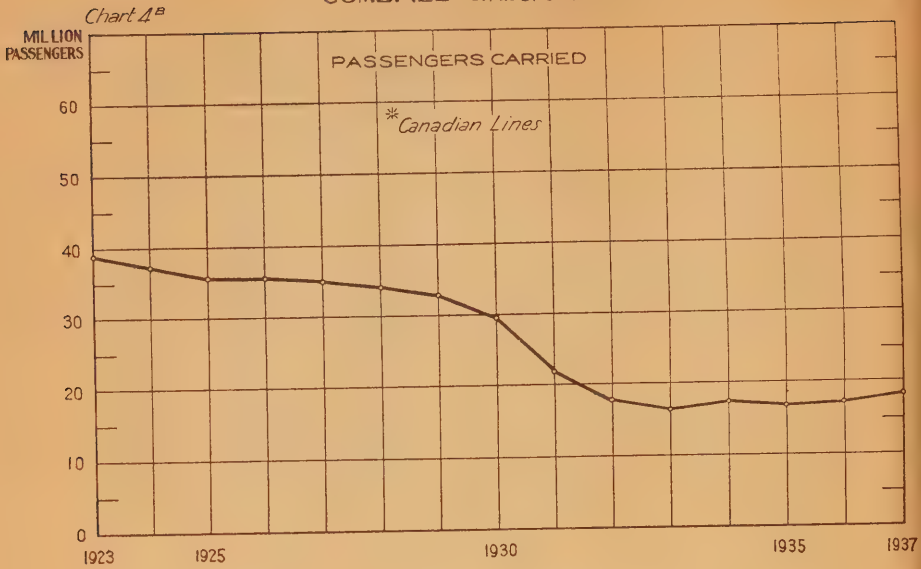
(000 omitted)

TABLE 3.

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System	Total (Cols. 2+3)
	1	2	3	4
1923.....	57,248	47,267	32,939	80,206
1924.....	52,499	42,568	30,621	73,189
1925.....	54,999	43,911	32,969	76,880
1926.....	60,846	48,164	35,963	84,127
1927.....	61,997	48,970	36,874	85,844
1928.....	69,155	55,328	42,977	98,205
1929.....	65,213	52,339	40,977	93,316
1930.....	54,563	44,387	33,733	78,120
1931.....	41,708	34,210	27,187	61,397
1932.....	34,377	28,387	22,613	51,000
1933.....	31,368	25,097	22,020	47,117
1934.....	36,966	29,366	25,606	54,972
1935.....	38,808	29,753	26,094	55,847
1936.....	43,451	32,784	27,985	60,769
1937.....	47,038	36,121	29,843	65,964

EXHIBIT No. 4

COMBINED C.N.R.* AND C.P.R.



C.N.R.-C.P.R.

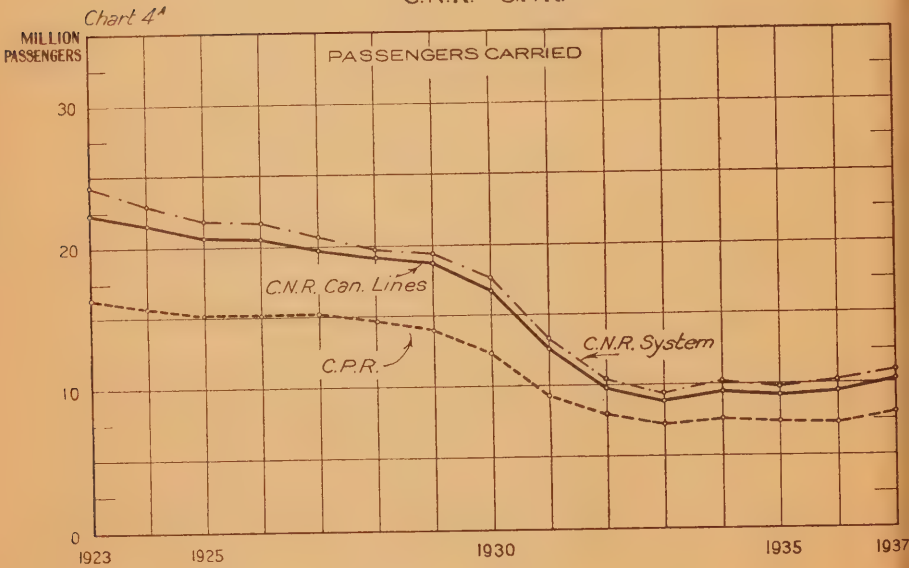


TABLE 4.

NUMBER OF PASSENGERS CARRIED

(000 omitted)

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System	Total (Cols. 2+3)
	1	2	3	4
23.....	23,684	22,225	16,224	38,449
24.....	22,708	21,436	15,602	37,038
25.....	21,675	20,655	15,042	35,697
26.....	21,580	20,589	15,075	35,664
27.....	20,554	19,680	15,110	34,790
28.....	19,697	18,979	14,751	33,730
29.....	19,251	18,603	14,054	32,657
30.....	17,554	16,608	12,446	29,054
31.....	13,196	12,542	9,442	21,984
32.....	10,364	9,761	7,916	17,677
33.....	9,435	8,934	7,174	16,108
34.....	10,080	9,543	7,593	17,136
35.....	9,721	9,238	7,424	16,672
36.....	10,099	9,551	7,387	16,938
37.....	10,888	10,203	7,821	18,024

EXHIBIT No. 5

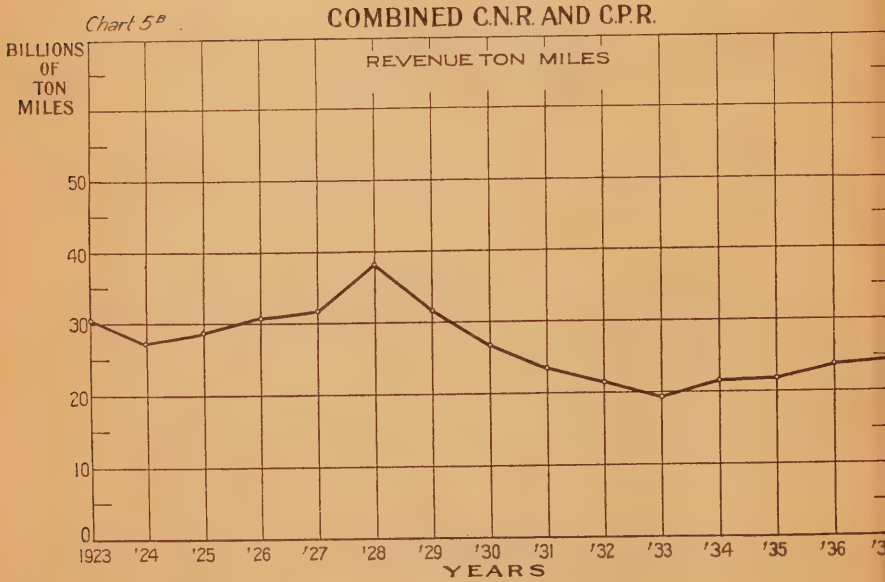
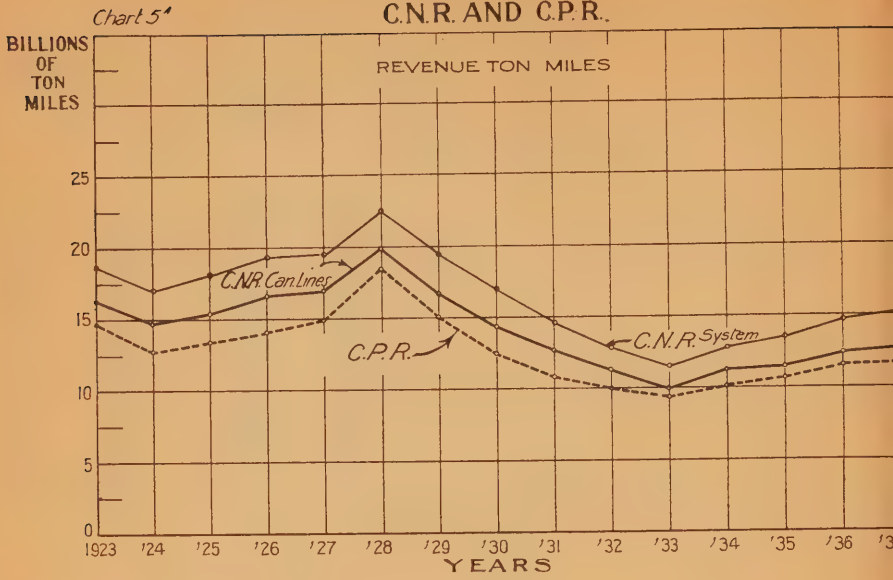


TABLE 5.

REVENUE TON MILES

(Millions)

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System	Total (Cols. 2+3)
	1	2	3	4
23.....	18,615	16,186	14,567	30,753
24.....	16,990	14,757	12,717	27,474
25.....	18,027	15,553	13,364	28,917
26.....	19,243	16,629	14,188	30,817
27.....	19,465	16,852	14,870	31,722
28.....	22,588	19,818	18,423	38,241
29.....	19,375	16,640	14,951	31,591
30.....	16,910	14,370	12,370	26,740
31.....	14,610	12,636	10,793	23,429
32.....	12,818	11,321	10,067	21,388
33.....	11,550	9,976	9,353	19,329
34.....	12,950	11,175	10,026	21,201
35.....	13,509	11,449	10,522	21,971
36.....	14,814	12,381	11,424	23,805
37.....	15,165	12,541	11,602	24,143

EXHIBIT No. 6

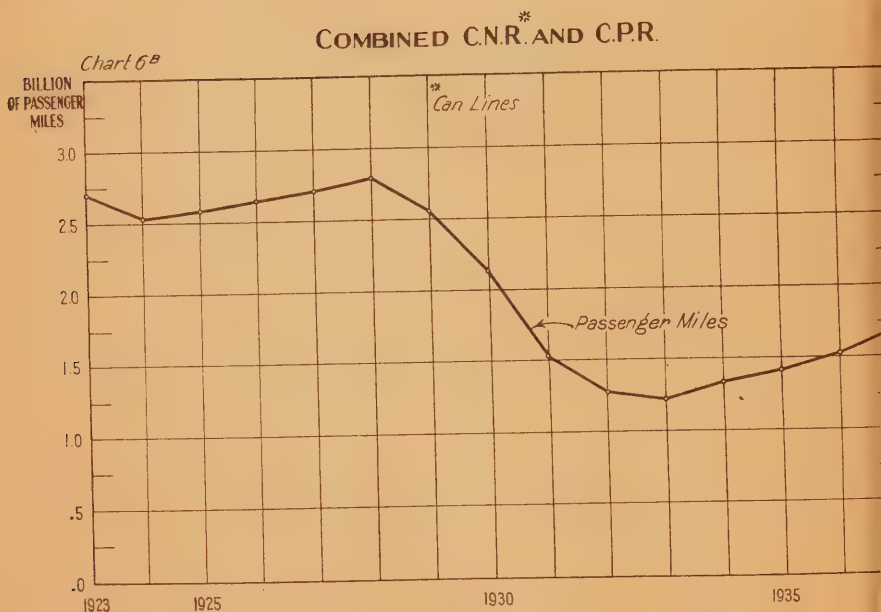
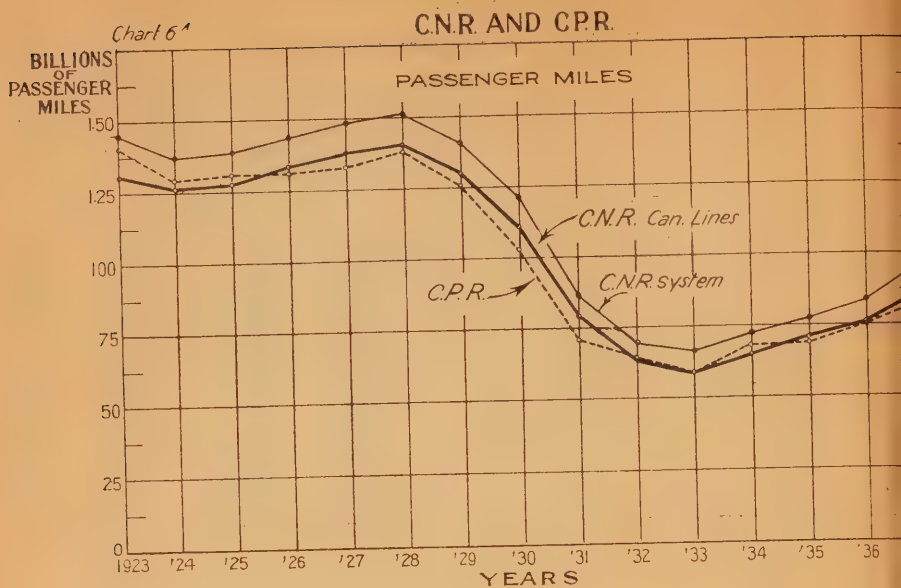


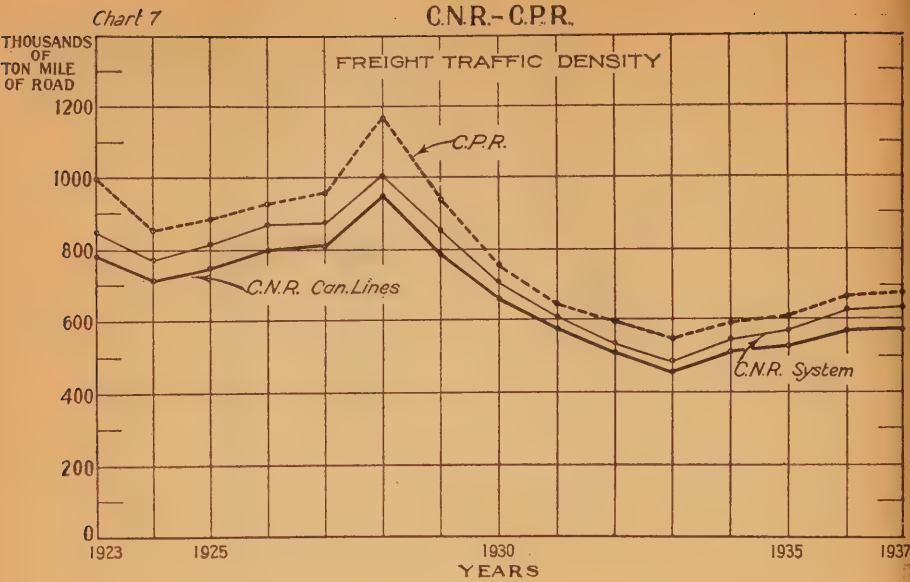
TABLE 6.

REVENUE PASSENGER MILES

(Millions)

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System	Total (Cols. 2+3)
	1	2	3	4
1923.....	1,447	1,331	1,401	2,707
1924.....	1,372	1,262	1,282	2,544
1925.....	1,380	1,272	1,307	2,579
1926.....	1,438	1,330	1,314	2,644
1927.....	1,483	1,376	1,328	2,704
1928.....	1,514	1,415	1,377	2,792
1929.....	1,401	1,308	1,257	2,565
1930.....	1,214	1,115	1,026	2,141
1931.....	866	788	743	1,531
1932.....	686	632	645	1,277
1933.....	665	612	614	1,226
1934.....	723	664	685	1,349
1935.....	770	716	696	1,412
1936.....	831	766	759	1,525
1937.....	953	871	826	1,697

EXHIBIT No. 7



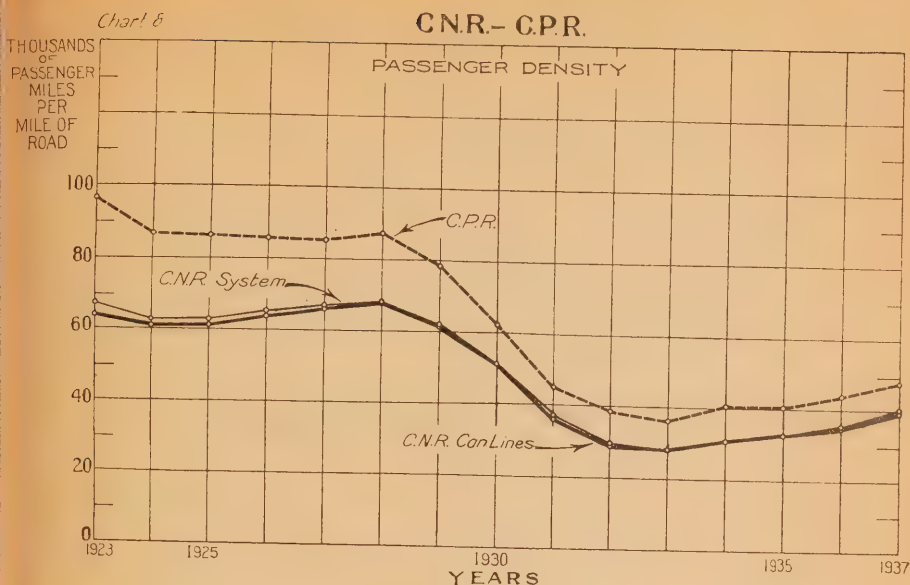
FREIGHT TRAFFIC DENSITY

(Revenue Ton Miles per Mile of Road)

TABLE 7.

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System
1923.....	853,703	783,955	996,57
1924.....	774,372	714,103	856,64
1925.....	818,150	754,804	880,67
1926.....	868,315	799,622	922,96
1927.....	872,402	808,102	953,18
1928.....	1,008,634	946,545	1,164,61
1929.....	851,279	781,674	929,18
1930.....	711,187	658,617	753,53
1931.....	611,609	575,663	644,57
1932.....	537,138	513,400	596,12
1933.....	484,397	454,656	549,21
1934.....	544,722	509,469	589,27
1935.....	568,318	522,606	610,95
1936.....	625,956	568,133	662,61
1937.....	636,718	572,833	673,66

EXHIBIT No. 8



PASSENGER TRAFFIC DENSITY

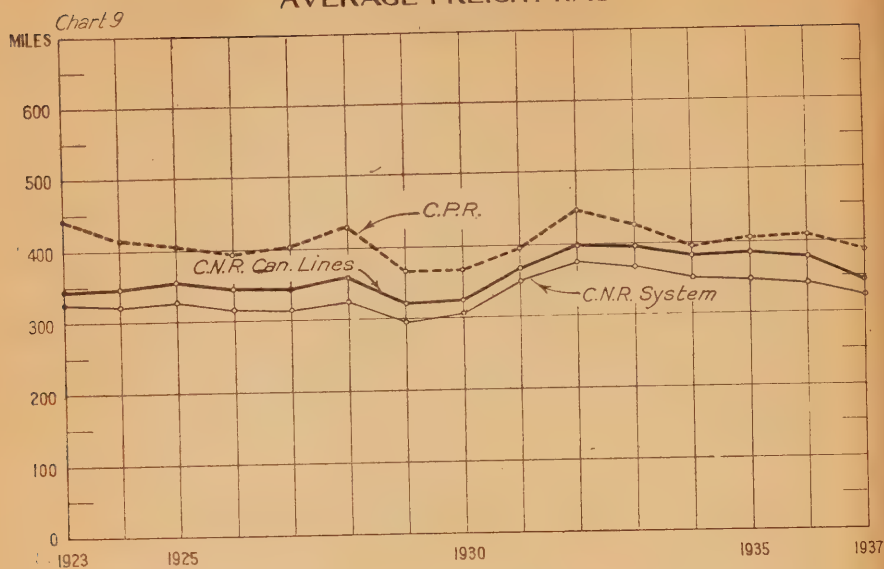
(Passenger Miles per Mile of Road)

TABLE 8.

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System
23	66,350	64,505	95,840
24	62,761	61,082	86,369
25	62,908	61,732	86,129
26	65,140	63,931	85,480
27	66,827	66,005	85,125
28	67,974	67,597	87,047
29	61,920	61,431	78,123
30	51,342	51,107	62,500
31	36,428	35,919	44,371
32	28,862	28,681	38,193
33	28,007	27,886	36,054
34	30,540	30,256	40,259
35	32,557	32,665	40,413
36	35,292	35,128	44,023
37	40,218	39,792	47,982

EXHIBIT No. 9

AVERAGE FREIGHT HAUL



AVERAGE LENGTH OF HAUL—FREIGHT
(Miles)

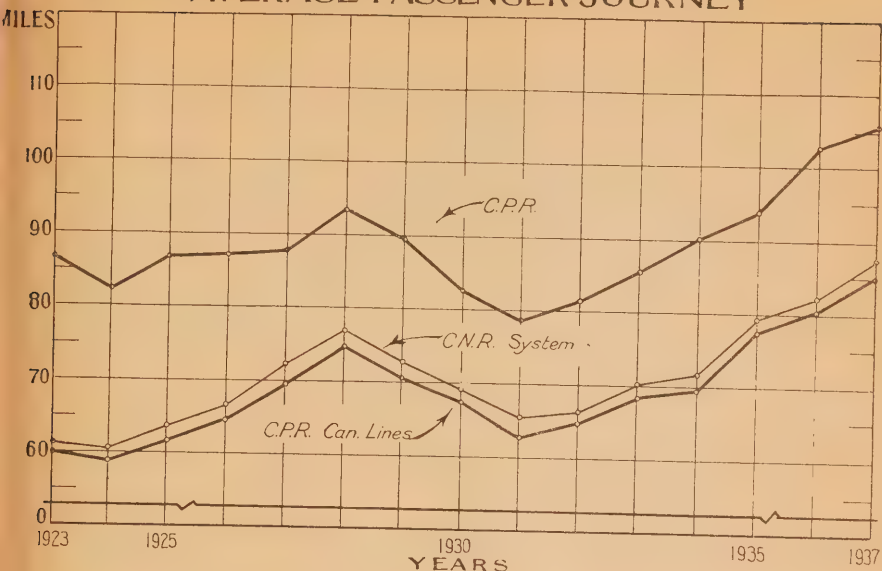
TABLE 9.

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System
1923	325	342	400
1924	323	347	400
1925	328	354	400
1926	316	345	400
1927	314	344	400
1928	327	358	400
1929	297	320	400
1930	310	324	400
1931	350	369	400
1932	373	399	400
1933	368	397	400
1934	350	381	400
1935	348	385	400
1936	341	378	400
1937	322	347	400

EXHIBIT No. 10

Chart 10

AVERAGE PASSENGER JOURNEY



AVERAGE PASSENGER JOURNEY

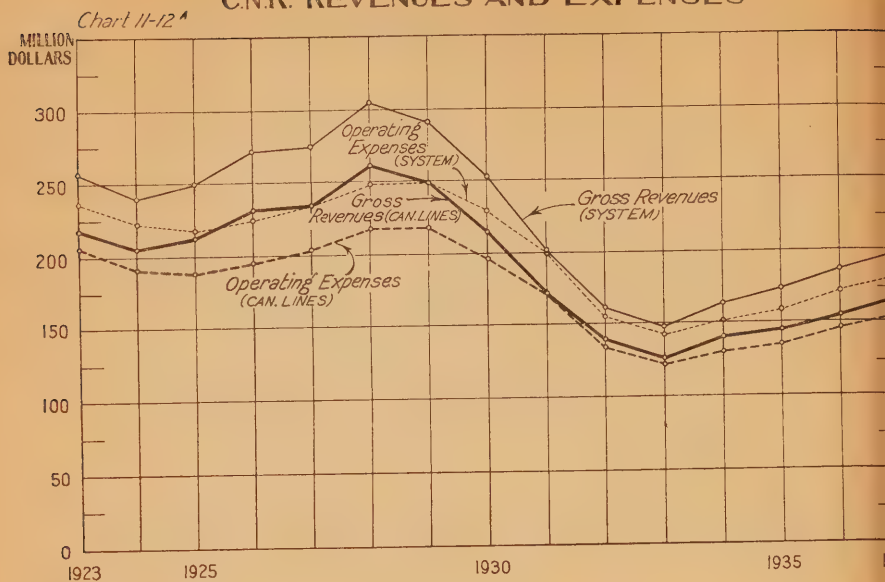
(Miles)

E 10.

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System
.....	61.1	59.9	86.4
.....	60.4	58.9	82.2
.....	63.7	61.7	86.9
.....	66.6	64.6	87.2
.....	72.2	69.9	87.9
.....	76.9	74.6	93.4
.....	72.8	70.3	89.4
.....	69.2	67.1	82.5
.....	65.6	62.9	78.7
.....	66.2	64.8	81.5
.....	70.5	68.5	85.6
.....	71.7	69.6	90.2
.....	79.2	77.5	93.8
.....	82.3	80.2	102.8
.....	87.6	85.4	105.7

EXHIBIT No. 11 and 12

C.N.R. REVENUES AND EXPENSES



C.P.R. REVENUES AND EXPENSES

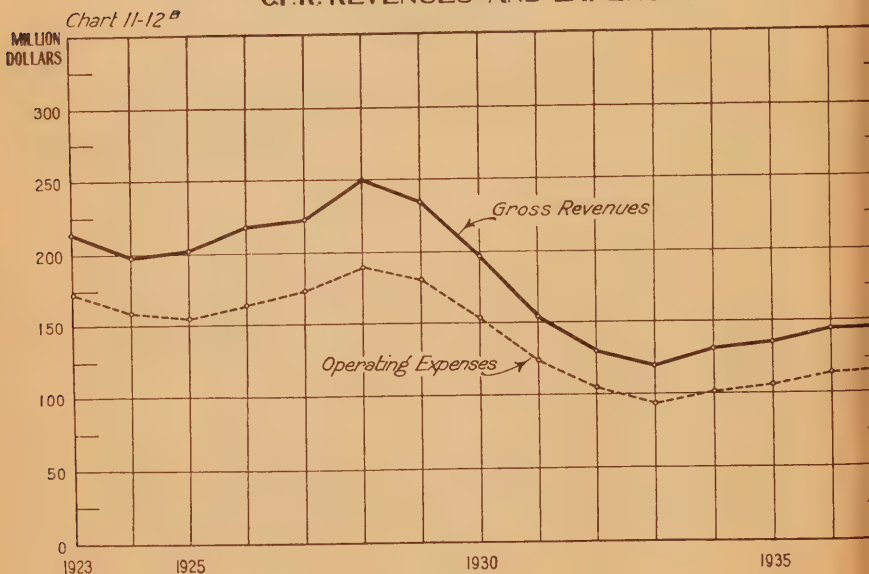
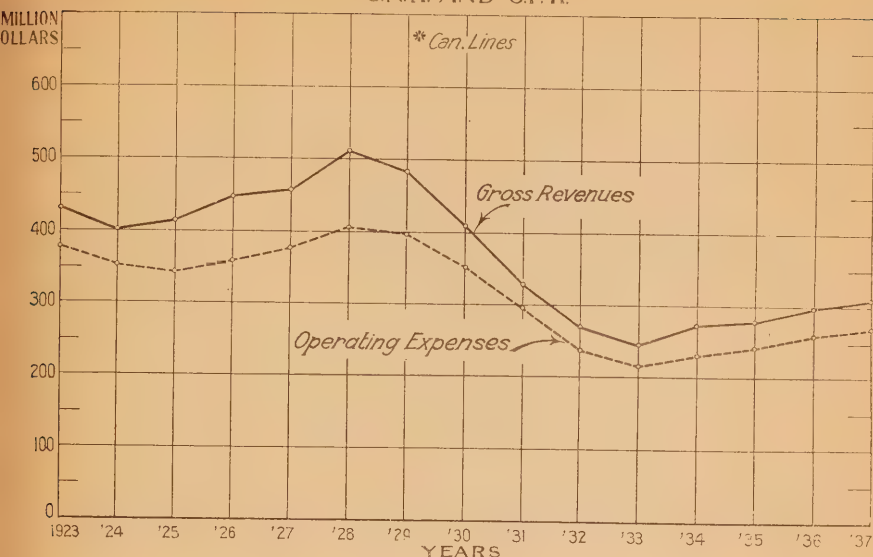


Chart 11-12 C

C.N.R.⁴ AND C.P.R.

GROSS REVENUES

OPERATING EXPENSES

11.

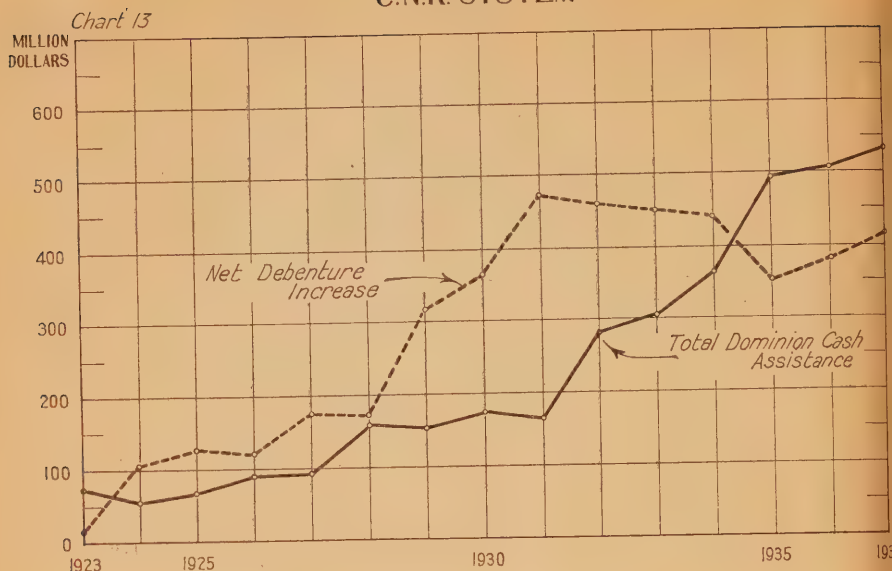
TABLE 12.

Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System	Total (Columns 2 and 3)
1	2	3	4
\$	\$	\$	\$
256,961,590	218,613,309	212,218,432	430,831,741
239,596,670	205,232,981	197,546,323	402,779,304
249,411,884	212,659,602	201,176,745	413,836,347
270,982,223	230,342,249	217,359,680	447,701,929
274,879,118	233,735,751	221,420,916	455,156,667
304,591,268	260,418,924	251,567,043	511,985,967
290,496,980	248,222,476	233,339,514	481,561,990
250,368,998	213,446,581	196,211,626	409,658,207
200,505,162	171,675,446	154,963,411	326,638,857
161,103,594	139,948,317	130,450,800	270,399,117
148,519,742	126,701,228	120,430,958	247,132,186
164,902,502	140,824,361	131,947,017	272,771,378
173,184,502	144,596,516	135,208,669	279,805,185
186,610,489	154,178,174	143,990,223	298,168,397
198,396,609	165,082,489	145,201,161	310,283,650

Year	Canadian National System	Canadian National Railways Canadian Lines	Canadian Pacific Railway System	Total (Columns 2 and 3)
	1	2	3	4
	\$	\$	\$	\$
1923...	235,838,046	206,069,866	171,902,618	377,972,484
1924...	221,622,049	192,738,522	159,056,000	351,794,521
1925...	216,290,434	187,956,847	155,492,589	343,449,436
1926...	223,561,262	194,029,900	164,743,336	358,773,286
1927...	233,305,267	202,776,373	173,817,410	376,593,783
1928...	249,731,696	217,780,174	189,602,528	407,382,702
1929...	248,932,275	217,223,887	180,404,670	397,628,557
1930...	228,283,023	196,502,056	153,750,665	350,252,723
1931...	198,212,995	171,673,133	124,448,912	296,122,045
1932...	155,208,161	134,300,983	105,554,579	239,855,562
1933...	142,812,559	122,572,230	94,870,706	217,442,936
1934...	151,936,079	130,296,563	101,275,080	231,571,643
1935...	158,926,249	135,094,079	107,775,586	242,869,665
1936...	171,477,690	145,081,184	115,239,930	260,321,114
1937...	180,788,858	153,711,912	117,069,540	270,781,452

EXHIBIT No. 13

C.N.R. SYSTEM



CANADIAN NATIONAL RAILWAYS

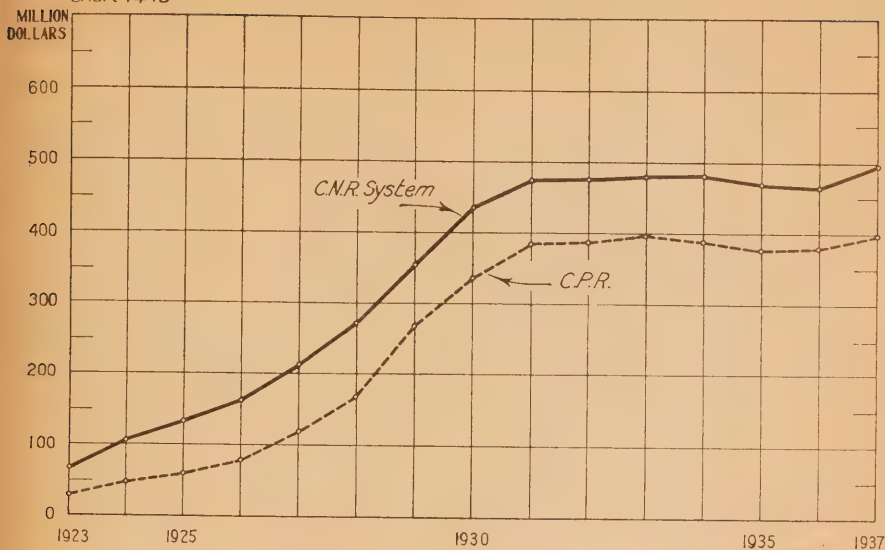
TABLE 13.

Year	Debentures held by Public		Cash Assistance by Dominion Government for Construction, Deficits, etc.	
	Net Increase	Cumulative Totals	Net Amount	Cumulative Totals
(Thousands of Dollars)				
1923.....	18,596	18,596	72,498	72,498
1924.....	90,814	109,410	-17,020	55,478
1925.....	17,416	126,826	12,202	67,680
1926.....	-5,849	120,977	21,622	89,302
1927.....	55,901	176,879	3,420	92,722
1928.....	-3,493	173,386	67,239	159,961
1929.....	144,670	318,056	-7,261	152,699
1930.....	46,006	364,063	21,935	174,634
1931.....	107,891	471,954	-10,167	164,467
1932.....	-11,940	460,014	116,328	280,795
1933.....	-9,215	450,799	25,065	305,860
1934.....	-8,971	441,827	59,226	365,086
1935.....	-91,551	350,276	129,441	494,527
1936.....	29,833	380,109	9,786	504,313
1937.....	37,885	417,994	27,714	532,027

EXHIBIT No. 14 and 15

TOTAL INVESTMENTS, 1923-1937

Chart 14-15



CANADIAN NATIONAL SYSTEM

TABLE 14. INVESTMENTS

Year	Railway Fixed Property, Equipment, Hotels, and Separately Operated Properties	Affiliated Companies	Sinking Funds	Total	Cumulative Total
(Thousands of Dollars)					
23...	54,965	1,816	7,007	63,788	63,788
24...	41,814	2,473	3,362	40,926	104,714
25...	18,950	6,272	1,098	26,320	131,033
26...	24,463	1,058	3,039	29,160	160,193
27...	46,097	4,129	1,193	51,418	211,611
28...	44,034	13,027	3,158	60,219	271,830
29...	88,500	6,135	298	82,663	354,493
30...	66,560	12,068	2,072	80,699	435,192
31...	34,287	1,371	574	36,232	471,424
32...	799	951	143	1,893	473,317
33...	953	2,834	1,835	5,622	478,939
34...	1,016	326	2,174	832	479,771
35...	687	31	11,939	11,221	468,550
36...	6,940	58	11,418	4,420	464,130
37...	20,875	894	33	21,802	485,932
Total..	448,907	41,118	4,093	485,932	

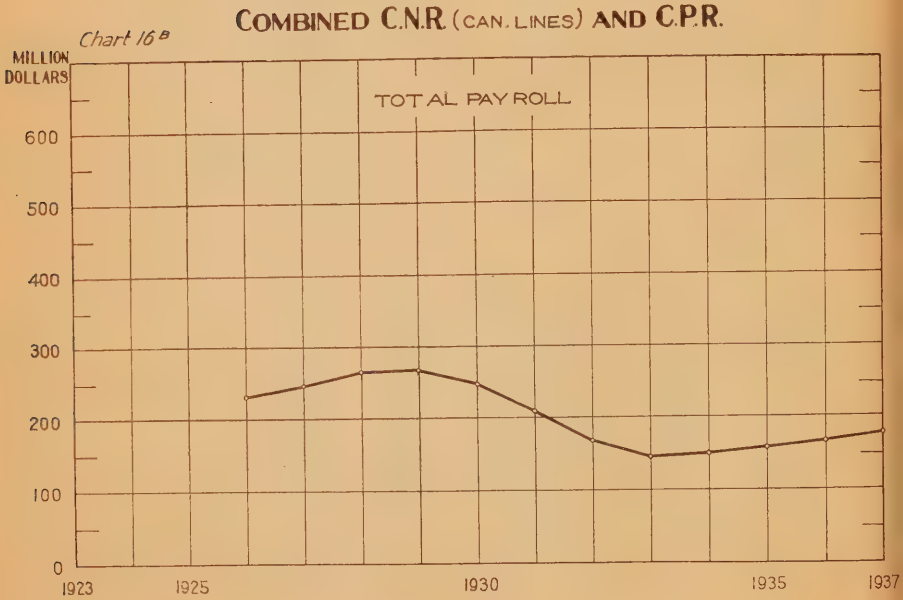
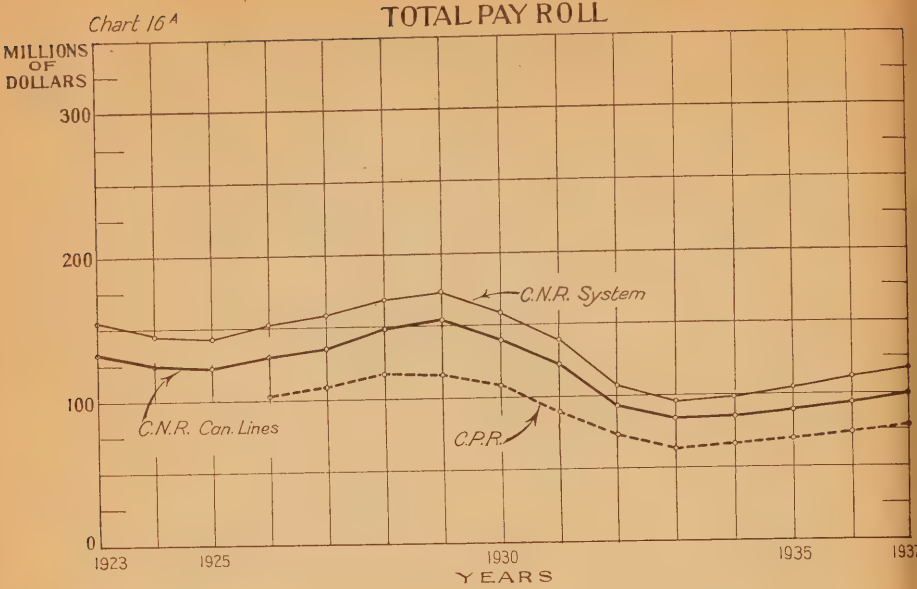
CANADIAN PACIFIC RAILWAY

TABLE 15. INVESTMENTS

Year	Railway Rolling Stock, Inland Steamships, Hotels, Communications and Miscellaneous Property	Improvement on Leased Railway Property	Other Investments*	Total*	Cumulative Total
(Thousands of Dollars)					
1923...	18,291	3,474	2,308	24,704	24,704
1924...	16,554	3,097	7,236	20,694	44,768
1925...	8,056	362	5,239	13,657	58,425
1926...	13,590	887	3,858	18,335	76,760
1927...	20,954	1,327	18,542	40,822	117,583
1928...	34,475	2,551	13,623	50,649	168,231
1929...	71,639	3,862	22,706	98,207	266,438
1930...	35,032	3,807	29,295	68,135	334,573
1931...	22,614	8,080	18,496	49,190	383,763
1932...	2,455	886	282	3,623	387,386
1933...	1,062	199	11,396	10,534	397,920
1934...	4,880	1,887	5,812	9,305	388,616
1935...	1,299	1,061	9,427	11,787	376,829
1936...	6,534	1,239	1,850	3,445	380,274
1937...	17,228	395	1,058	17,891	398,165
Total..	260,184	21,029	116,952	398,165	

*Does not include advances to controlled and other companies.

EXHIBIT No. 16



BLE 16.

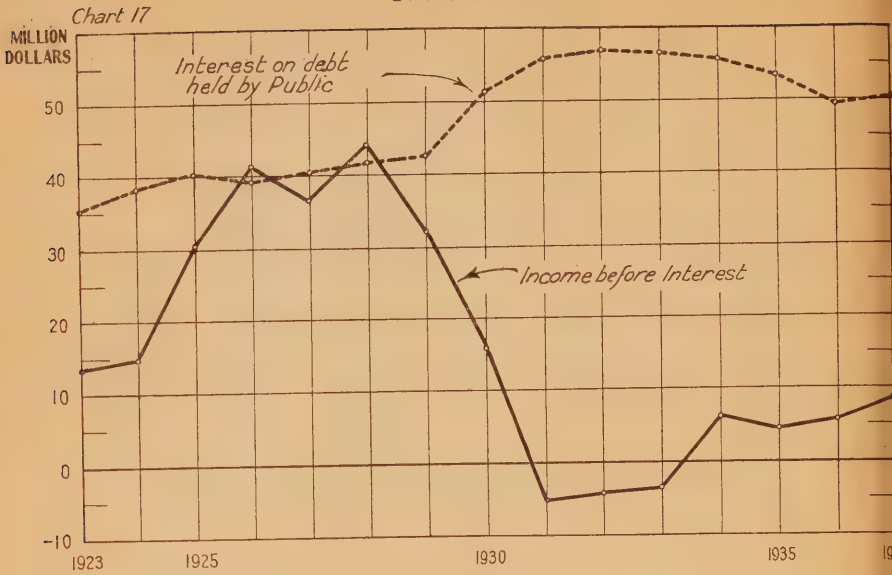
TOTAL PAY ROLL

(Thousand Dollars)

Year	Canadian National System	Canadian National Rys. Canadian Lines	Canadian Pacific Ry. System	Total (Cols. 2+3)
	1	2	3	4
	\$	\$	\$	\$
3.....	153,884	133,717		
4.....	145,622	125,313		
5.....	143,963	123,109		
6.....	151,945	129,571	102,336	231,907
7.....	159,250	135,918	109,427	245,345
8.....	168,728	148,288	117,488	265,776
9.....	173,079	152,509	115,263	267,772
0.....	159,981	139,137	108,090	247,227
1.....	139,785	121,669	89,231	210,900
2.....	106,912	93,368	73,383	166,751
3.....	95,632	82,877	63,058	145,935
4.....	98,408	84,748	65,317	150,065
5.....	104,862	89,412	69,797	159,209
6.....	111,221	94,354	73,696	168,050
7.....	117,805	99,965	77,495	177,460

EXHIBIT No. 17

C.N.R. SYSTEM



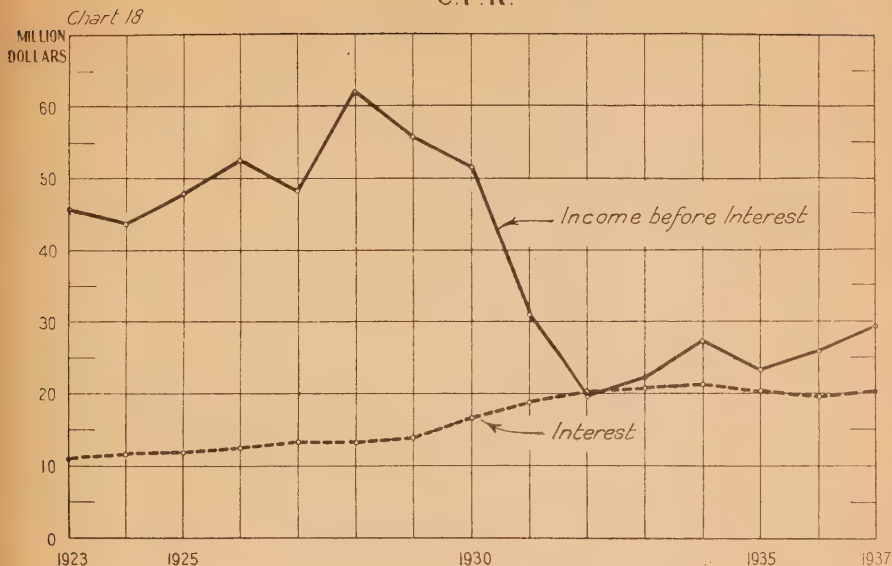
CANADIAN NATIONAL SYSTEM

TABLE 17.

Year	Net Income before Interest	Interest Debt held by Public
	\$	\$
1923.....	13,501,649	35,041
1924.....	14,772,328	38,361
1925.....	30,443,852	40,438
1926.....	41,586,242	39,197
1927.....	36,325,419	40,526
1928.....	44,449,780	41,810
1929.....	32,095,275	45,503
1930.....	15,730,227	51,316
1931.....	-5,282,650	55,587
1932.....	-4,041,640	56,965
1933.....	-3,552,286	56,465
1934.....	6,305,050	55,811
1935.....	4,590,610	53,468
1936.....	5,987,277	49,184
1937.....	8,604,442	50,633

EXHIBIT No. 18

C.P.R.



CANADIAN PACIFIC RAILWAY

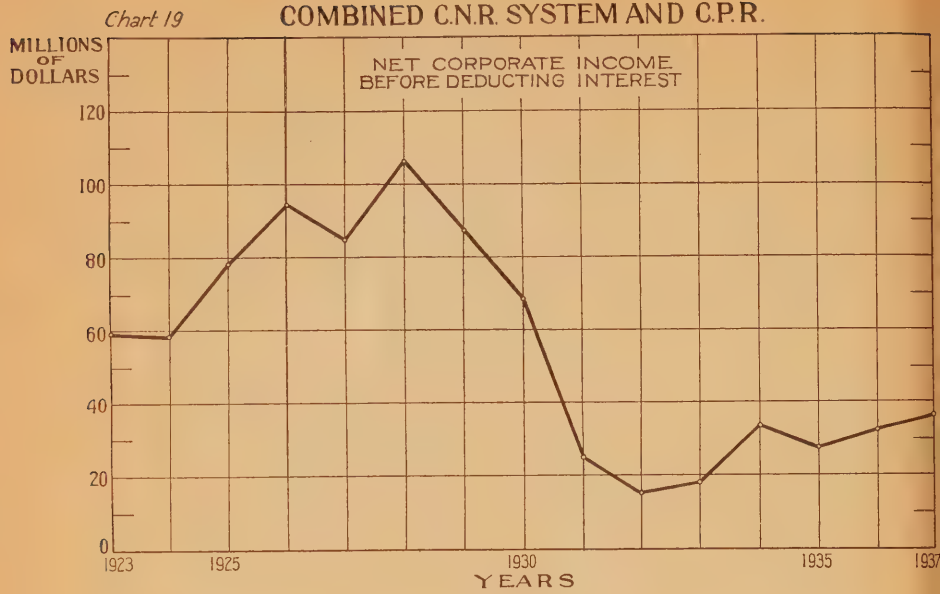
TABLE 18.

Year	Net Income before Interest	Interest on Funded Debt
	\$	\$
1923.....	45,394,457	10,950,933
1924.....	43,378,187	11,502,733
1925.....	47,832,609	11,912,414
1926.....	52,670,173	12,321,890
1927.....	48,008,141	13,107,790
1928.....	61,864,295	13,007,722
1929.....	55,573,280	13,800,618
1930.....	52,467,008	16,769,154
1931.....	30,267,126	18,765,517
1932.....	19,736,807	20,160,922
1933.....	*22,202,126	20,944,965
1934.....	*27,610,247	21,140,456
1935.....	23,258,876	20,426,792
1936.....	25,936,580	19,907,396
1937.....	29,481,027	20,018,743

* Depreciation on ocean and coastal steamships deducted from Profit and Loss and Surplus Revenue Account—

1933..... \$ 3,854,481
 1934..... 3,783,660

EXHIBIT No. 19



NET INCOME BEFORE INTEREST

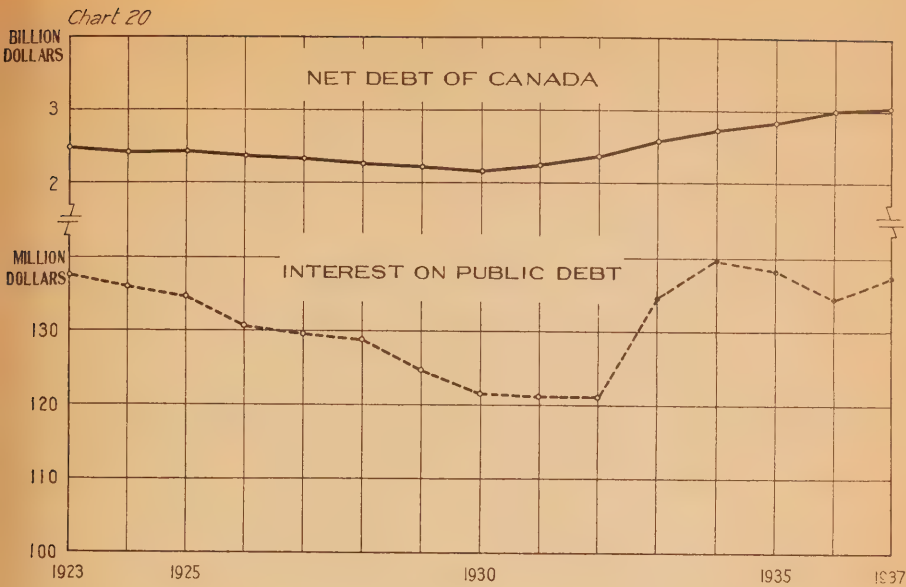
TABLE 19.

Year	Canadian National Railway System	Canadian Pacific Railway System	Total
	\$	\$	\$
1923.....	13,501,649	45,394,457	58,896,106
1924.....	14,772,328	43,378,187	58,150,515
1925.....	30,443,852	47,832,609	78,276,461
1926.....	41,586,242	52,670,173	94,256,415
1927.....	36,325,419	48,008,141	84,333,560
1928.....	44,449,780	61,864,295	106,314,075
1929.....	32,095,275	55,573,280	87,668,555
1930.....	15,730,227	52,467,008	68,197,235
1931.....	-5,282,650	30,267,126	24,984,476
1932.....	-4,041,640	19,736,807	15,695,167
1933.....	-3,552,286	*22,202,126	18,649,840
1934.....	6,305,050	*27,610,247	33,915,297
1935.....	4,590,610	23,258,876	27,849,486
1936.....	5,987,277	25,936,580	31,923,857
1937.....	8,604,442	29,481,027	38,085,469

* Ocean and coastal steamship depreciation deducted from Profit and Loss and Surplus Revenue Account—

1933.....	\$ 3,854,481
1934.....	3,783,660

EXHIBIT No. 20

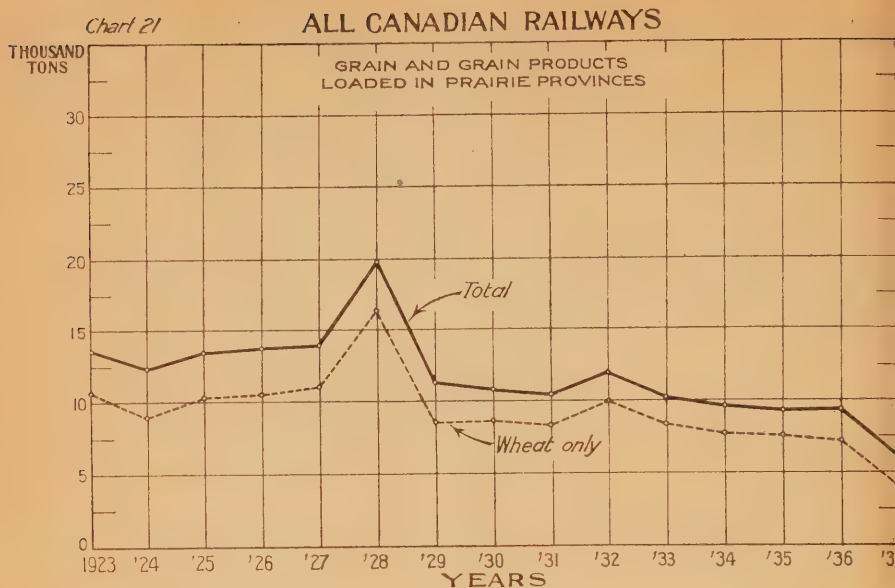


NET DEBT OF CANADA AND INTEREST ON PUBLIC DEBT

TABLE 20.

Year ended March 31	Net Debt of Canada	Interest on Public Debt
	\$	\$
23.....	2,453,776,869	137,892,735
24.....	2,417,783,275	136,237,872
25.....	2,417,437,686	134,789,604
26.....	2,389,731,099	130,691,493
27.....	2,347,834,370	129,675,367
28.....	2,296,850,233	128,902,945
29.....	2,225,504,705	124,989,950
30.....	2,177,763,959	121,566,213
31.....	2,261,611,937	121,289,844
32.....	2,375,846,172	121,151,106
33.....	2,596,480,826	134,999,069
34.....	2,729,978,141	139,725,417
35.....	2,846,110,958	138,533,202
36.....	3,006,100,517	134,549,169
37.....	3,083,952,202	137,410,345

EXHIBIT No. 21



GRAIN AND GRAIN PRODUCTS LOADED IN THE PRAIRIE PROVINCES

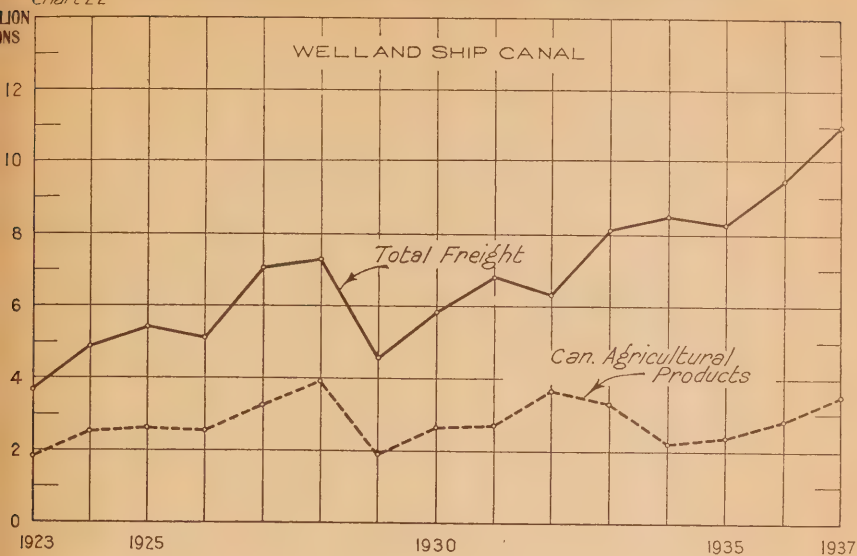
TABLE 21.

Year	Wheat	Total
	Tons	Tons
1923.....	10,777,280	13,509,
1924.....	9,015,303	12,438,
1925.....	10,367,186	13,581,
1926.....	10,562,518	13,697,
1927.....	11,035,037	13,732,
1928.....	16,249,459	19,862,
1929.....	8,559,930	11,266,
1930.....	8,699,963	10,816,
1931.....	8,322,675	10,480,
1932.....	9,937,591	11,908,
1933.....	8,295,628	10,107,
1934.....	7,609,245	9,689,
1935.....	7,537,168	9,280,
1936.....	7,197,155	9,457,
1937.....	4,199,062	6,137,

EXHIBIT No. 22

FREIGHT TO AND FROM CANADIAN PORTS

Chart 22

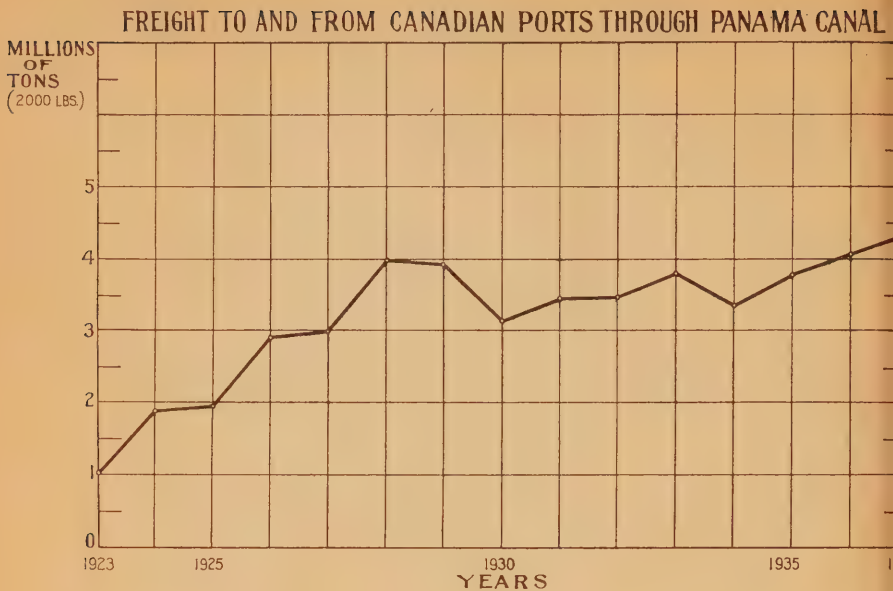


WELLAND CANAL

Year	Traffic to and from Canadian Ports Tons	Canadian Agricultural Products Tons
1923	3,644,191	1,856,318
1924	4,824,148	2,531,561
1925	5,428,816	2,618,494
1926	5,102,106	2,577,250
1927	7,052,863	3,221,648
1928	7,234,109	3,967,994
1929	4,590,190	1,869,773
1930	5,873,044	2,664,435
1931	6,803,022	2,682,833
1932	6,355,267	3,676,787
1933	8,171,428	3,313,990
1934	8,482,889	2,229,565
1935	8,245,237	2,389,446
1936	9,486,252	2,856,956
1937	11,004,878	.....

EXHIBIT No. 23

Chart 23



CANADIAN TRAFFIC THROUGH THE PANAMA CANAL

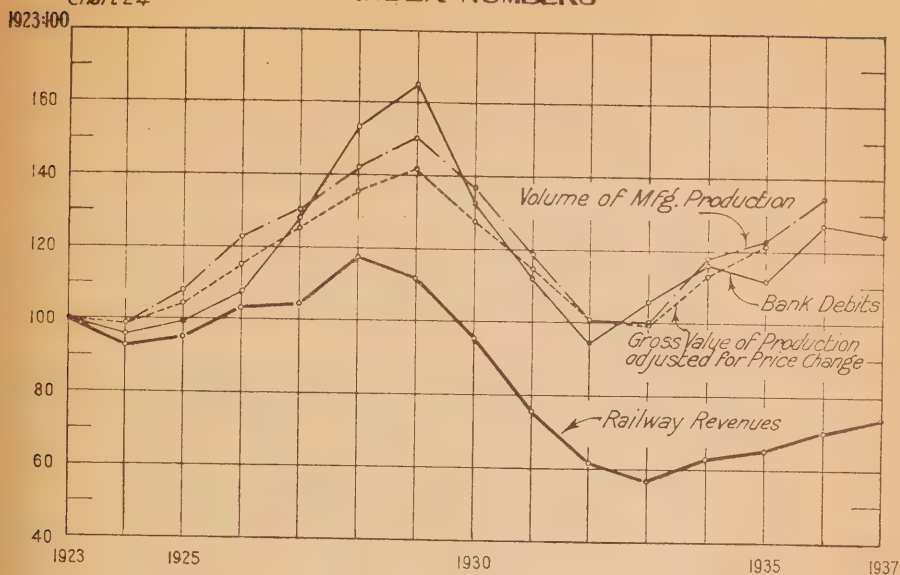
TABLE 23.

	Short Tons
1923.....	1,035,278
1924.....	1,872,717
1925.....	1,951,127
1926.....	2,905,197
1927.....	2,983,477
1928.....	3,995,949
1929.....	3,936,897
1930.....	3,118,470
1931.....	3,431,546
1932.....	3,459,564
1933.....	3,796,558
1934.....	3,336,254
1935.....	3,778,867
1936.....	4,048,487
1937.....	4,333,637

EXHIBIT No. 24

Chart 24

INDEX NUMBERS



INDEX NUMBERS

1923 = 100

TABLE 24.

Year	Gross Value of Products adjusted for Price Change	Volume of Manufacturing Production	Bank Debits	Gross Revenues All Canadian Railways
1923	100	100	100	100
1924	98.3	98.2	95.8	93.2
1925	104.4	107.5	99.2	95.2
1926	115.6	122.2	107.1	103.2
1927	124.2	130.2	127.3	104.3
1928	135.0	141.9	153.3	117.9
1929	141.8	150.2	164.6	111.7
1930	127.4	136.2	132.2	95.0
1931	114.3	118.3	111.4	75.0
1932	99.9	100.1	94.7	61.3
1933	98.3	100.2	105.7	56.5
1934	111.8	117.9	115.9	62.9
1935	120.8	122.5	111.3	64.8
1936		134.2	126.7	70.0
1937			124.0	74.0

EXHIBIT No. 25

DOMINION BUREAU OF STATISTICS

TRANSPORTATION AND PUBLIC UTILITIES BRANCH, OTTAWA

CANADIAN NATIONAL RAILWAYS—REVENUES, EXPENSES, ETC., 1923-1936

Statistics of the Canadian National Railways for the fourteen years (1923-1936) the lines have been amalgamated and operated as one system as presented in this report.

The Canadian lines of the Canadian National Railways include the railways formerly operated as the Canadian Northern System, the Grand Trunk Railway of Canada, the Grand Trunk Pacific and the Canadian Government railway consisting of the Intercolonial, Prince Edward Island, National Transcontinental and several small lines in the eastern provinces. The United States lines include the lines known as the Canadian National New England Lines, the Grand Trunk Western and the Duluth, Winnipeg and Pacific. The Central Vermont Railway which had been operated by a receiver from 1927 to January, 1930, was purchased by the Canadian National Railways and, from February 1, 1930, has been included as one of the United States lines. The Hudson Bay Railway being operated for the Government by the Canadian National Railways as a separate railway. From 1923 to 1926 its accounts were included with those of the Canadian National and adjustments for the transfer were made in the 1926 accounts. The profit or loss of all ancillary operations is included in the income accounts, but data of the Canadian Government Merchant Marine and Canadian National (West Indies) Steamships, Limited, and subsidiary companies are not included in these statements.

The Maritime Freight Rates Act, effective July 1, 1927, provided that the Canadian National Railways east of Levis and Diamond Junction (designated the Eastern Lines) should reduce the freight rates on local and certain other traffic by 20 per cent. Other railways operating in this eastern territory were allowed to reduce their rates by the same percentage and all railways were authorized to bill the Dominion Government for the difference between the normal and the reduced tolls. All the railways have treated such items as revenues earned and they are so treated in this report. The Act also provided that the deficits of the Canadian National Eastern Lines should be provided for by a separate item in the estimates submitted to Parliament. Such deficits since July 1, 1927, have been paid by the Dominion Government and the amounts have not been added to the debt of the Canadian National System, nor has any interest been accrued on these deficits.

The amount of the Government contribution to meet the deficits of the Eastern Lines is not included in the loans and advances as given in Table No. 1, but the amounts so contributed are shown separately in Table No. 3. The "Dominion Report" recommended that the deficits of the system each year be met by special appropriations of the Dominion Government and consequently deficits for 1927 and subsequent years are also excluded from Table No. 2 and are shown

separately in Table 3 for the respective years and not as paid. This treatment causes some changes in loans as previously reported. Interest is not accrued on these deficits in the railway accounts.

Table 1 shows the operating revenues, expenses and net operating revenues of the Canadian Lines and United States lines separately. It also shows for the entire system the net corporate income before deducting interest charges, interest on funded debt divided between interest on Canadian National bonds held by the public and on moneys advanced by the Dominion Government, the income debit balances carried to the profit and loss account, profit and loss net debits and credit items and the cumulative deficits including profit and loss items. Interest on short term notes is not included in the interest items, but is included in the "Net corporate income before deducting interest" column. The cumulative deficits are for these fourteen years only; the deficit on December 31, 1922, was \$234,951,901 and in the annual reports the Government contributions for Eastern lines deficits from July 1, 1927, and for System deficits from January 1, 1932, have been included as credits.

Table 2 has been changed in this issue to include (1) all capital stock, (2) Government appropriations for lines built and purchased, (3) advances, both long term and short term, (4) accrued and unpaid interest, and (5) debt of the railways held by the public. The capital stock consisted in 1923 of \$165,627,739 stock of the Grand Trunk Railway System which the Arbitration Board on September 7, 1921, stated was of no value and is held by the Dominion Government, and \$100,000,600 stock of the Canadian Northern Railway which had been purchased by the Dominion Government. There was also outstanding \$4,591,975 of stock of constituent lines held by the public, of which \$7,875 has been retired during the subsequent fourteen years. The capital stock, Government appropriations for Canadian Government Railways and certain loans and advances represent the Government's equity in the railway system.

The Public Accounts of Canada includes in Dominion gross debt as at March 31, 1937, \$57,895,693 loans to the railway as active assets made up of C.P.R. open and stores account, \$15,748,921, and loans on capital account and retirement of maturing bonds since January 1, 1932, amounting to \$42,146,772, and deducts this amount when computing the net debt of the Dominion, but does not include as Dominion debt the railway debt held by the public amounting to \$1,184,612,249 on December 31, 1936. This last is the only item which can be properly added to the Dominion debt when computing a combined Government and railway debt. The railway debt held by the public and guaranteed by the Dominion Government includes \$216,207,142 perpetual debenture stock (previously Grand Trunk) guaranteed as to interest only.

The accrued and unpaid interest on Government advances was computed at interest rates ranging from $3\frac{1}{2}$ to 6 per cent per annum and was not compounded. Interest on advances for deficits of the Eastern Lines since July 1, 1927, and the entire system since January 1, 1932, and on appropriations for capital account for the Canadian Government Railways, which comprise a portion of the Canadian National System are not included. Also expenditures covering the purchase of railway equipment under the Supplementary Public Works Construction Act, 1935, are not included.

Other investments by the Government in these railways are subsidies for construction, all made before amalgamation into the present system or before lines were purchased by the Government and some to lines subsequently acquired by the Grand Trunk and Canadian Northern systems before these systems were taken over by the Government. Land grants include grants as bonuses during construction and also for right-of-way, station grounds, etc. Excluding grants to the Grand Trunk Pacific Development Company for the Prince Rupert dry

dock and shipyard and payments of wages for relief labour during 1936 and subscriptions for stock, the grants were as follows:—

Cash Subsidies—

Dominion—(Cash subsidies.)	\$49,261,220
(Loan to Grand Trunk.)	15,142,633*
	<hr/> 64,403,853
Provincial.	16,698,208
Municipal.	7,393,867
Grand Total.	<hr/> 88,495,928 <hr/>

Land Grants—

	<i>Acres</i>
Dominion.	5,763,735
Provincial.	1,815,141
Grand Total.	<hr/> 7,578,876 <hr/>

* This was a loan but no interest has been paid since before Confederation and it has been included with subsidies by the Bureau.

An indirect railway liability of the Dominion Government is the debt of the Northern Alberta Railways owned jointly by the Canadian National and Canadian Pacific Railways. Half the debt of this railway held by the public was \$7,500,000 on December 31, 1935. Also the Grand Trunk Western has assumed certain contingent liabilities, in some cases solely and in other in conjunction with other tenant companies, guaranteeing the payment of interest and principal of bonds of the Detroit Toledo Shore Line, Toledo Terminal and Chicago and Western Indiana railways. It is not anticipated any of these will become actual liabilities. The Hudson Bay Railway is also a direct liability of the Dominion Government and is being operated by the Canadian National for the Government, but is not included in the following tables.

Table 3 shows the cash received from long term debt, as shown in Table 2, short term loans from the Dominion Government and appropriations for deficits of the Eastern Lines from July 1, 1927, and of the remainder of the system from January 1, 1932. Temporary loans by the Government to the railway and by the railway to the Government are excluded from columns (a), (c) and (d) but are included in column (h), so that the total in column (i) will agree with the railway's annual report. Items in column (h) include cash on hand and all other balancing items, the profit and loss balances to the General Balance Sheet being included.

Table 4 shows the investments in railway and other property, in affiliated companies and in sinking funds, and the income deficits and profit and loss charges, as included in Table 1. Insurance fund charges, included with sinking funds in previous statements, are charges to operation and are included in the income deficits. (See Note 3, Table 1.) Profit and loss charges include charges for property abandonments, etc., as explained in the footnote and consequently include investments made prior to 1923 but written off during the fourteen years.

Table 5 shows the principal operating statistics of the Canadian National Railways in Canada and the United States, Central Vermont statistics being included in this table as from January 1, 1930, and not February 1, as in the other tables. The average miles operated and number of employees are monthly averages. The total pay roll covers all these employees and includes pay roll charged to (1) operating expenses as labour, (2) stores department which is charged to operation or to capital account as part of cost of material

(3) joint facilities for the years 1923-1930 (This item is included in operating expense labour for 1931-1936), and (4) capital account. Pay roll chargeable to operating expenses includes only the first of the above items and differs in this respect from the corresponding data in the Canadian Pacific Railway Company's report for the same period. The breakdown of the total pay roll for 1936 is as follows:

Pay roll charged to Operating Expenses.....	\$102,534,378
Stores, Tie, Timber and Fuel Departments}	8,686,751
Capital and Other Items }	
	<u>\$111,221,129</u>

CANADIAN NATIONAL RAILWAYS⁽¹⁾

TABLE 1.

Year	RAILWAY OPERATING REVENUES ⁽²⁾			RAILWAY OPERATING EXPENSES ⁽²⁾			NET OPERATING REVENUES ⁽²⁾		
	Canadian Lines	United States Lines	Total	Canadian Lines	United States Lines	Total	Canadian Lines	United States Lines	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
23..	218,613,309	38,348,281	256,961,590	206,069,866	29,768,180	235,838,046	12,543,443	8,580,101	21,123,544
24..	205,232,981	34,363,689	239,596,670	192,738,522	28,883,527	221,622,049	12,494,459	5,480,182	17,974,621
25..	212,659,602	36,752,282	249,411,884	187,956,847	28,333,587	216,290,434	24,702,755	8,418,695	33,121,450
26..	230,342,249	40,639,974	270,982,223	194,029,900	29,531,362	223,561,262	36,312,349	11,108,612	47,420,961
27..	233,735,751	41,143,367	274,879,118	202,776,373	30,528,894	233,305,267	30,959,378	10,614,473	41,573,851
28..	260,418,924	44,172,344	304,591,268	217,780,174	31,951,522	249,731,696	42,638,750	12,220,822	54,859,572
29..	248,222,476	42,274,504	290,496,980	217,223,887	31,408,388	248,632,275	30,998,589	10,866,115	41,864,705
30..	213,446,581	36,922,417	250,368,998	196,502,058	31,785,965	228,288,023	16,944,523	5,136,452	22,080,975
31..	171,675,446	28,829,716	200,505,162	171,673,133	27,639,862	199,312,995	2,313	1,189,854	1,192,167
32..	139,948,317	21,155,277	161,103,594	134,300,983	20,907,178	155,208,161	5,647,334	248,099	5,895,433
33..	126,701,228	21,818,514	148,519,742	122,572,230	20,240,329	142,812,559	4,128,998	1,578,185	5,707,183
34..	140,824,361	24,078,141	164,902,502	130,296,563	21,639,516	151,936,079	10,527,798	2,438,625	12,966,423
35..	144,596,516	28,587,986	173,184,502	135,094,079	23,832,170	158,926,249	9,502,437	4,755,816	14,258,253
36..	154,178,174	32,432,315	186,610,489	145,081,184	26,396,506	171,477,690	9,096,990	6,035,809	15,132,799

Year	Net Corporate Income before deducting Interest	Interest on Funded Debt			Net Income Deficit		Profit and Loss Debits	Cumulative Deficits including Profit and Loss Balances	
		On Public Debt	On Dominion Govt. Loans	Total	Including Govt. Loan Interest	Excluding Govt. Loan Interest		Including Govt. Loan Interest	Excluding Govt. Loan Interest
		\$	\$	\$	\$	\$		\$	\$
23	13,501,649	35,041,380	30,157,944	65,199,324	(3)51,697,675	(2)21,539,731	2,936,648	54,634,323	24,476,379
24	14,772,328	38,361,704	31,271,043	69,632,747	54,860,419	23,589,376	Cr. 385,872	109,108,870	47,679,883
25	30,443,852	40,438,235	31,450,382	71,888,617	41,444,765	9,994,388	266,505	150,760,140	57,880,771
26	41,586,242	(1)39,197,233	32,090,454	71,287,678	29,701,445	Cr.2,389,009	Cr.6,502,004	173,959,581	48,989,758
27	36,325,419	40,526,097	32,505,234	73,031,331	36,705,912	4,200,678	820,988	211,486,481	54,011,424
28	44,449,780	41,810,880	32,507,337	74,318,217	29,868,437	Cr.2,638,900	3,446,391	244,801,309	54,818,915
29	32,095,275	45,503,980	32,690,545	78,194,525	46,099,250	13,408,705	511,067	291,411,626	68,738,687
30	15,730,227	51,316,121	32,693,876	84,009,997	68,279,770	35,585,894	5,453,922	365,145,318	109,778,503
31	-5,282,650	55,587,145	32,643,624	88,230,769	93,513,419	60,869,795	5,762,261	464,420,998	176,410,559
32	-4,041,640	56,965,279	35,525,540	92,490,819	96,532,459	61,006,919	4,802,615	565,756,072	242,220,093
33	-3,552,286	56,465,427	36,034,141	92,499,568	96,051,854	60,017,713	1,600,103	663,408,029	303,837,909
34	6,305,050	55,811,745	35,994,578	91,806,324	85,501,273	49,506,695	4,161,080	753,070,381	357,505,684
35	4,590,610	53,468,792	35,949,677	89,418,469	84,827,859	48,878,182	30,453,831	868,352,071	436,837,697
36	5,987,277	49,184,623	36,428,873	85,613,496	79,626,219	43,197,346	12,684,819	900,663,109	492,719,802

(1) Includes Central Vermont Railway from February 1, 1930.

(2) Revenues and expenses, 1923-1927, adjusted to include commercial telegraph lines to be comparable with 1928-1936.

(3) Net income deficit includes appropriations for insurance fund of \$9,739,533.

(4) Interest at 4% on \$4,927,098 Grand Trunk Pacific debenture stock reduced under agreement to 2%.

TABLE 2.

[illegible]

(1) Deficits of Eastern Lines from July 1, 1927, and for entire system from January 1, 1932, are paid by the Dominion Government and are not included in this table. See Table 3.

(2) Includes \$216,207,142 perpetual debenture stock guaranteed as to interest only, formerly Grand Trunk bonds.

(2) Includes \$216,207,142 perpetual debenture stock guaranteed as to interest only, formerly Grand Trunk Pacific, and (3) Amounts outstanding at dates constituent lines were taken over by Canadian National, viz., Canadian Northern Sept. 30, 1917; Grand Trunk Pacific, March 9, 1919; Grand Trunk, May 21, 1920; Canadian Government, March 31, 19 (Actual date of transfer, Nov. 20, 1918).

CAPITAL STRUCTURE

BANKS, ETC.		DEBENTURES, ETC., HELD BY THE PUBLIC						Total I + M	GRAND TOTAL C + N
Unpaid Accrued Interest on Government Loans	Total D + G + H	Guaranteed by		Unguaranteed	Total J + K + L				
		Dominion Government (²)	Provincial Govern- ments						
H	I	J	K	L	M	N	O		
4 443,386	\$ 524,322,873	\$ 331,309,904	\$ 93,412,807	\$ 385,198,150	\$ 809,920,861	\$1,334,243,734	.....	
69,328,803	1,018,337,343	447,872,904	93,574,380	263,055,860	804,503,144	1,822,840,487	\$2,093,060,801		
98,669,270	1,124,183,276	470,372,904	93,574,380	259,151,772	823,099,056	1,947,282,332	2,217,502,646		
130,157,992	1,142,268,435	558,872,904	93,574,380	261,465,799	913,913,083	2,056,181,518	2,326,411,357		
161,861,503	1,188,482,341	581,372,904	93,574,380	256,382,019	931,329,303	2,119,811,644	2,390,040,058		
193,951,356	1,225,663,756	579,872,891	93,574,380	(²)252,032,973	925,480,244	2,151,144,000	2,421,368,749		
(²)226,142,006	1,258,096,742	657,181,330	93,574,380	230,626,027	981,381,737	2,239,478,479	2,509,701,228		
258,024,308	1,333,716,482	681,000,655	93,574,380	203,313,998	977,889,033	2,311,605,515	2,581,851,464		
290,088,439	1,353,514,262	807,048,434	94,654,505	220,856,554	1,122,559,493	2,476,073,755	2,746,297,004		
322,155,902	1,385,659,618	854,431,995	74,912,466	239,221,402	1,168,565,863	2,554,225,481	2,824,446,005		
354,173,113	1,398,796,843	970,562,289	74,912,466	230,982,452	1,276,457,207	2,675,254,050	2,945,475,014		
388,930,381	1,489,823,661	965,831,382	74,912,466	223,773,319	1,264,517,167	2,754,340,828	3,024,554,392		
424,338,109	1,490,549,686	962,992,576	74,912,466	217,397,113	1,255,302,155	2,745,851,841	3,016,065,405		
459,486,187	1,536,347,039	963,906,119	74,912,466	207,511,854	1,246,330,439	2,782,677,478	3,052,890,642		
495,030,137	1,654,693,322	889,741,774	74,912,466	190,124,761	1,154,779,001	2,809,472,323	3,079,684,887		
530,832,598	1,656,978,867	937,620,214	73,777,953	173,214,082	1,184,612,249	2,841,591,116	3,111,803,555		
461,503,795	638,641,524	489,747,310	-19,796,427	-89,841,778	380,109,105	1,018,750,629	1,018,742,754		
	461,503,795								
	42,760,459								
	219,898,188					600,007,293	599,999,418		

CURRING YEAR

+ 29,340,467	105,845,933	22,500,000	.....	- 3,904,088	18,595,912	124,441,845	124,441,845	.....
+ 31,488,722	18,085,159	88,500,000	.....	2,314,027	90,814,027	108,899,186	108,908,711	.....
+ 31,703,511	46,213,906	22,500,000	.....	- 5,083,780	17,416,220	63,630,126	63,628,701	.....
+ 32,089,853	37,181,415	- 1,500,013	.....	- 4,349,046	- 5,849,059	31,332,356	31,328,691	.....
+ 32,190,650	32,432,986	77,308,439	.....	-21,406,946	55,901,493	88,334,479	88,332,479	.....
+ 31,882,302	75,619,740	23,819,325	.....	-27,312,029	- 3,492,704	72,127,038	72,150,236	.....
+ 32,064,131	19,797,780	126,047,779	1,080,125	17,542,556	144,670,460	164,468,240	164,445,540	.....
+ 32,067,463	32,145,356	47,383,561	-19,742,039	18,364,848	46,006,370	78,151,726	78,149,601	.....
+ 32,017,211	13,137,225	116,130,294	.....	- 8,238,950	107,891,344	121,028,569	121,028,409	.....
+ 34,757,268	91,026,818	- 4,730,907	.....	- 7,209,133	-11,940,040	79,086,778	79,079,378	.....
+ 35,407,728	726,025	- 2,838,806	.....	- 6,376,206	- 9,215,012	- 8,488,987	- 8,488,987	.....
+ 35,148,078	45,797,353	913,543	.....	- 9,885,259	- 8,971,716	36,825,637	36,825,237	.....
+ 35,543,950	118,346,283	74,164,345	.....	-17,387,093	-91,551,438	26,794,845	26,794,245	.....
+ 35,802,461	2,285,545	47,878,440	- 1,134,513	-16,910,679	29,833,248	32,118,793	32,118,668	.....
+461,503,795	638,641,524	489,747,310	-19,796,427	-89,841,778	380,109,105	1,018,750,629	1,018,742,754	.....
.....	461,503,795	.....	.....	.....	.....	.....	.....	.....
.....	+42,760,459	.....	.....	.....	.....	.....	.....	.....
.....	219,898,188	.....	.....	.....	380,109,105	600,007,293	599,999,418	.....

(4) Credits for property transferred to other Government departments, etc.—

1926 Hudson Bay Railway.....	\$ 15,245,889
1928, 1933 and 1935 Halifax Harbour Commission.....	11,987,974
1928 and 1935—St. John Harbour Commission.....	643,843
1929 and 1930—Quebec Bridge adjustment.....	933,564
1934—Marine Spur, Quebec, to Department of Marine.....	796,002
Miscellaneous.....	13,153,187
Total.....	\$ 42,760,459

(5) Government loans to lines other than Canadian Government Railways now comprising Eastern Lines ceased true interest after July 1, 1927. These on June 30 were: Capital, \$2,565,605; Deficits, \$3,835,176; Total, \$11,400,781.

(6) Central Vermont included in annual report; excluded here.

SPECIAL COMMITTEE

CAPITAL RECEIVED

TABLE 3.

Year	Long Term Debt			Short Term Notes (Dominion Government) (e)	Dominion Government Contributions for Cash Deficits		Funded Debt Discount Amortized through Income and Profit and Loss Accounts	Increase or Decrease (-) in Working Capital and Other Balance Sheet Accounts (h)	TOTAL
	Net Increase in Par Value (1) (b)	Issue Expense and Discount	Net Capital Received		Eastern Lines	Canadian National			
	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
Cash on hand January 1, 1923.									\$ 20,790,857
1923..	\$ 84,629,995	\$ 484,944	\$ 84,145,051	\$ 10,000,000			\$ 132,487	\$ 1,555,536	95,833,077
1924..	101,266,203	3,372,802	97,893,401	-10,000,000			352,182	-18,920,866	69,324,717
1925..	17,330,675	856,847	16,473,828				631,227	25,127,772	42,232,827
1926..	14,158,168		14,158,168				574,099	494,219	15,226,486
1927..	55,965,211	2,613,502	53,351,709		(e) 2,117,936		553,183	-1,369,435	54,653,393
1928..	- 3,327,461	1,561,043	- 4,888,504	43,500,000	(e) 4,200,357		566,639	26,398,449	69,776,944
1929..	144,783,460	4,175,147	140,608,313	1,329,600	(e) 4,762,217		1,087,079	-26,479,555	121,307,655
1930..	50,680,731	2,515,269	48,165,462	10,823,942	(e) 6,476,667		658,695	(4) 10,686,487	76,811,255
1931..	109,656,649	4,260,295	105,396,354	-20,645,921	8,712,762		894,482	6,387,116	100,745,422
1932..	37,219,349		37,219,349	-35,008,251	6,635,845	(2) 53,422,662	913,404	- 405,640	62,777,366
1933..	- 986,911		- 986,911		6,691,569	52,263,819	914,811	10,012,670	68,895,955
1934..	1,846,332	257,852	1,588,480		5,818,076	42,589,825	847,117	2,600,892	53,444,399
1935..	-84,258,446	3,702,940	-87,961,386	74,726,975	5,625,707	41,795,757	1,108,096	42,528,808	77,823,955
1936..	35,177,581	1,929,852	33,247,729	-38,861,218	5,854,073	37,449,321	6,533,840	- 3,044,065	41,179,688
Total.	564,141,536	25,730,493	538,411,043	35,865,757	56,895,209	227,521,384	15,767,341	75,572,388	970,823,077

(1) Interest on Government loans not included.

(2) Deficit of 1932 not paid until 1933.

(3) Increase of special deposits of \$25,415,179.

(4) Decrease of special deposits of \$41,175,428.

(5) Temporary loans and inter-line loans are excluded in columns (a) and (d) and included in column (h). "Other Balance Sheet Accounts" include profit and loss balances.

(6) Revised to exclude Government payments of pensions to C.G.R. employees.

CAPITAL EXPENDED

E 4.

Year	Investments			System Net Loss, excluding Interest on Government Loans		TOTAL
	Railway Fixed Property Equipment, Hotels and Separately Operated Properties	Affiliated Companies	Sinking Funds	Income Deficit	Profit and Loss Charges	
See Note (7)						
(j)	(k)	(l)	(m)	(n)	(o)	
\$	\$	\$	\$	\$	\$	
54,964,673	1,815,640	7,007,397	21,539,731	2,936,648	88,264,089	
41,814,466	2,473,155	Cr. 3,361,636	23,589,376	Cr. 385,872	64,129,489	
18,949,524	6,271,577	1,098,426	9,994,383	206,505	36,520,415	
24,462,539	1,658,228	3,039,196	Cr. 2,389,009	Cr. 6,502,004	20,268,950	
				(8)		
46,096,935	4,128,619	1,192,647	4,200,678	820,988	56,439,867	
44,034,153	13,026,571	3,158,122	Cr. 2,638,900	3,446,391	61,026,337	
88,499,908	Cr. 6,135,117	297,988	13,408,705	511,067	96,582,551	
66,560,355	12,066,022	2,072,350	35,585,894	5,453,922	121,738,543	
34,287,067	1,371,140	574,253	60,869,795	5,762,261	102,864,516	
799,159	950,736	142,893	61,006,919	4,802,615	67,702,322	
952,996	2,833,998	1,834,702	60,017,713	1,600,103	67,239,512	
Cr. 1,015,889	Cr. 326,107	2,174,172	49,506,695	4,161,080	54,499,951	
687,087	30,789	Cr.11,938,698	48,878,182	30,453,831	68,111,191	
6,939,581	58,330	Cr.11,417,613	43,197,347	12,684,818	51,462,463	
Total	428,032,554	40,223,581	Cr. 4,125,801	426,767,509	65,952,353	
on hand December 31, 1936.....					13,973,783	
					970,823,979	

(7) Includes charges for property abandonments, obsolete equipment and writing down land values, not required in cash amounting to \$72,520,298, included in column (h).

(8) Includes credit \$8,138,492.36 cancellation of G.T.P. 4% Debenture Stock interest of which credit \$8,152.13 relates to the period prior to 1923.

CANADIAN NATIONAL RAILWAYS

TABLE 5.

Operating Statistics

Year	Average Miles of Road Operated	Revenue Freight Carried (Thousands)	Revenue Ton Miles (Millions)	Passengers Carried (Thousands)	Passenger Miles (Millions)	Freight Revenue (Thousands)	Passenger Revenue (Thousands)	Total Operating Revenue (Thousands)	Total Operating Expenses (Thousands)	Freight ⁽²⁾ Train Miles (Thousands)
		Tons				\$	\$	\$	\$	
1923.....	21,805	57,248	18,615	23,084	1,447	185,241	39,285	256,962	235,838	36,939
1924.....	21,866	52,499	16,990	22,708	1,372	171,045	37,234	239,597	221,622	32,749
1925.....	21,936	54,999	18,027	21,675	1,380	180,483	36,618	249,412	216,290	33,181
1926.....	22,068	60,846	19,243	21,580	1,438	200,004	38,099	270,982	223,561	35,217
1927.....	22,193	61,997	19,465	20,554	1,483	202,107	38,576	274,879	233,305	36,450
1928.....	22,277	69,155	22,588	19,697	1,514	228,461	39,147	304,591	249,732	38,949
1929.....	22,628	65,213	19,375	19,251	1,401	214,636	37,132	290,497	248,632	35,913
1930.....	23,650	54,563	16,910	17,554	1,214	183,568	32,901	253,968	228,802	31,479
1931.....	23,789	41,708	14,610	13,196	866	148,952	23,200	200,505	199,313	27,178
1932.....	23,773	34,377	12,818	10,364	686	120,715	17,259	161,104	155,208	34,441
1933.....	23,743	31,368	11,550	9,435	665	112,319	15,032	148,520	142,813	22,275
1934.....	23,076	36,906	12,950	10,080	723	126,118	16,331	164,903	151,936	24,766
1935.....	23,652	38,808	13,509	9,721	770	133,745	30,225	173,185	158,926	25,586
1936.....	23,554	43,451	14,814	10,099	831	145,488	17,022	186,610	171,478	28,313

Year	Passenger Train Miles ⁽³⁾	Averages per Mile of Road Operated				Average per Freight Train Mile		Average per Passenger Train Mile		Average Tons per Loaded Car Mile ⁽¹⁾	Average Haul Rev. Freight Miles
		Revenue Ton Miles	Passenger Miles	Operating Revenue	Operating Expenses	Revenue Ton Miles	Freight Revenue	Passengers	Pass. Train Revenues		
	(Thousands)			\$	\$		\$		\$		
1923.....	23,914	853,703	66,350	11,784	10,816	502	5.01	60.50	2.49	25.59	325.2
1924.....	24,145	774,372	62,761	10,958	10,135	517	5.22	56.84	2.38	24.85	322.5
1925.....	24,619	818,150	62,908	11,370	9,860	541	5.44	56.05	2.31	24.75	327.8
1926.....	24,915	868,315	65,140	12,279	10,130	544	5.68	57.70	2.36	24.55	310.3

Year	Average Passenger Journey	Average Revenue				Number of Employees	Total Pay Roll \$(Thousands)	Pay Roll Charged to Operating Expenses \$(Thousands)	Ratio of Operating Pay Roll to Revenues (Per Cent)	Ratio of Operating Expenses to Revenues (Per Cent)	
		Per Ton of Freight	Per Passenger	Per Ton Mile							Per Passenger Mile
				\$	Cents						
1928.....	26,900	1,008,634	67,974	13,673	11,210	577	56-29	2-29	25-20	326-6	
1929.....	27,104	851,279	61,920	12,838	10,938	536	51-69	2-22	23-89	297-1	
1930.....	27,664	711,187	51,342	10,612	9,674	534	43-89	1-93	23-78	309-9	
1931.....	24,631	611,609	36,428	8,436	8,385	535	35-15	1-65	24-13	350-3	
1932.....	19,890	537,138	28,862	6,777	6,529	522	34-50	1-59	24-97	372-9	
1933.....	18,536	484,397	28,007	6,255	6,015	516	35-87	1-50	24-34	368-2	
1934.....	18,402	544,722	30,540	6,965	6,417	521	39-29	1-62	24-32	350-3	
1935.....	18,639	568,318	32,557	7,322	6,719	525	41-31	1-62	23-99	348-1	
1936.....	18,174	628,293	35,292	7,923	7,280	523	45-74	1-66	24-11	340-9	

- (1) Revenue and non-revenue freight.
 (2) Includes portion of mixed train miles.
 (3) Includes unit car miles.

EXHIBIT No. 26

DOMINION BUREAU OF STATISTICS

TRANSPORTATION AND PUBLIC UTILITIES BRANCH, OTTAWA

CANADIAN PACIFIC RAILWAY COMPANY REVENUES, EXPENSES, ETC.
1923-1936

Statistics of the Canadian Pacific Railway Company, including its leased steam railway lines, for the fourteen years, 1923-1936, are presented in this report on a basis comparable throughout with the consolidated reports, including all these leased lines, made since 1932. Prior to that date, a consolidated report could not readily be compiled from the published data without duplicating certain facts, because separate reports were submitted for several of the railways which were operated separately. The dates from which each of the leased lines was included in the Canadian Pacific Railway Company's reports are shown in a foot note to Table 2. New leases were concluded during the period covering the lines of the Lacombe and North Western and Algonquin Eastern Railway Companies and the operating results thereof are included from March 1, 1928, and July 1, 1931, respectively.

Table 1 shows the capital of the Canadian Pacific Railway Company outstanding on December 31 of each year, 1922 to 1936. The mileage operated by the Canadian Pacific as at December 31, 1936, totalled 17,222.8 miles of line of which 7,164.3 miles were operated under lease or contract. Of the latter mileage rental is payable to others in respect of companies owning 3,588.9 miles of line or 21 per cent of the total mileage. In some cases the annual rental represents the interest on the bonds or dividends on stock outstanding, exclusive of Canadian Pacific holdings; in others it is a fixed amount; in others it is a percentage of the gross or net earnings, and in other cases it is a combination of these. The tables below have divided these into three groups:

A—In the following cases the rental paid for leased railway property represents an amount equal to interest on securities or dividends on capital stock of the lessor companies. The principal amount of such securities and par value of such capital stock outstanding, including that held in the Insurance Fund of the Company, is shown in addition to particulars of mileage and rental.

Name of Lessor Company	Mileage Dec. 31, 1936	Par Value or Principal Amount	Rental Year 1936
		\$ cts.	\$
Alberta Railway & Irrigation Co.....	161.0	26,600 00	1,64
Algoma Eastern Railway Co.....	55.9	2,226,500 00	111,32
Atlantic & North West Railway Co.....	341.1	6,326,666 67	322,56
Calgary and Edmonton Railway Co.....	623.3	5,458,940 00	218,35
Dominion Atlantic Railway Co.....	256.2	3,649,999 99	146,00
Joliette & Brandon Railway Co.....	11.1	125,000 00	5,00
Lacombe & North Western Railway Co.....	112.5	273,700 00	13,68
Lake Champlain & St. Lawrence Jct. Rly. Co.....	60.6	378,000 00	15,12
New Brunswick Railway Co.....	405.2	8,052,060 60	322,08
New Brunswick & Canada Railroad Co. (Leased to New Brunswick Railway Co.).....		399,066 67	13,96
Ontario & Quebec Railway Co.....	680.2	21,497,591 28	1,094,82
Quebec Central Railway Co.....	295.4	13,021,676 73	582,37
St. Lawrence & Ottawa Railway Co.....	56.0	973,333 33	38,93
Toronto, Grey & Bruce Railway Co.....	171.4	3,499,133 33	139,96
	3,229.9	65,908,268 60	3,025,84

B—In the following cases the rental paid for leased railway properties is fixed rental.

Name of Lessor Company	Mileage Dec. 31, 1936	Rental Year 1936
		\$ cts.
Canadian Government Railways.....	31.7	22,500 00
Montreal City of St. John Branch Railroad Co.....	3.5	1 00
Connecticut & Passumpsic Rivers Railroad.....	69.0	246,000 00
Montreal Branch Railroad Co.....	3.1	1,680 00
Mississippi Valley Railway Co.....	36.1	52,380 00
Port & Richford Railroad Co.....	21.5	18,000 00
New Brunswick & Canada Railroad Co. (Leased to New Brunswick Ry. Co.).....		35,100 00
John Bridge & Railway Extension Co.....	1.6	17,356 00
Stephen & Milltown Railway Co.....		2,050 00
Toronto, Hamilton and Buffalo Railway.....	1.5	8,717 41
	168.0	403,784 41

4.6 miles of industrial track.

C—In the following cases the rental paid is based on gross or net earnings.

	Mileage Dec. 31, 1936	Rental Year 1936
		\$ cts.
Maricourt & Grand Lake Coal & Railway Co.....	31.1	52,482 05
Maricourt & Stormont Railway Co.....	27.6	41,250 00
Maricourt Junction Railway Co.....	14.9	26,240 57
Maricourt, Bobcaygeon & Pontypool Railway Co.....	17.6	20,000 00
Maricourt Brunswick Coal and Railway.....	59.2	.....
Maricourt Hampton Railway Co.....	12.6	735 06
Maricourt Quebec Railway Co., Ltd.....	28.0	5,378 80
	191.0	146,086 48

SUMMARY

Section	Mileage	Rental \$ cts.
A.....	3,229.9	3,025,846 92
B.....	168.0	403,784 41
C.....	191.0	146,086 48
	<u>3,588.9</u>	<u>3,575,717 81</u>

In computing a total capitalization of the system it would be quite appropriate to add to the total shown in Table 1 the outstanding capital of group A and an estimate of the capital of groups B and C based on the annual rental; fluctuations in group C, due to variations in earnings, would be a small percentage of the total.

Cash Subsidies.—The Canadian Pacific and subsidiary lines received subsidies from the Dominion Government and from the provinces and municipalities as shown in the following table. It is not contended that the Canadian Pacific Railway received the aid granted to leased and acquired lines. In some cases the lease was made, or line acquired, years after the aid was granted and there was no connection between them, but in others the construction of the line was financed by the Canadian Pacific and in such cases the railway is practically part of the system although legally it is a separate entity. Also, no value has been computed for the land grants to the railways.

AID GRANTED TO CANADIAN PACIFIC RAILWAY TO DEC. 31, 1936

CASH SUBSIDIES

	Dominion	Provincial	Municipal	Total
	\$	\$	\$	\$
Canadian Pacific Railway.....	31,632,280	409,657	464,761	32,506
For lands repurchased.....	10,189,521			10,189
Book value of lines constructed by Dom. Govt. and transferred to C.P.R. (1)...	37,791,435			37,791
Acquired lines.....	3,249,702	3,561,577	25,000	6,836
Acquired lines on which lease exists.....	8,440,010	5,937,142	2,502,150	16,879
Leased lines (Group A, page 1) (2).....	7,700,454	4,229,570	1,545,246	13,475
Leased lines (Group B, page 2).....	20,224	18,920		39
Leased lines (Group C, page 2).....	937,058	346,500	73,000	1,356
Total.....	99,960,684	14,503,366	4,610,157	119,074

LAND GRANTS

	Acres	Acres	Acres	Acres
Canadian Pacific Railway.....	19,861,357.33	3,765.47		19,865.12
Acquired lines.....		337,440.00		337.44
Acquired lines on which lease exists.....	3,320,446.19	7,845,368.07		11,165.81
Leased lines (Group A, page 1).....	2,927,184.86	2,648,137.00		5,575.32
Total.....	26,108,988.38	10,834,710.54		36,943.66

(1) Dominion Government book value at time of transfer, including cost of surveys, etc.

(2) Provincial subsidies to St. John Bridge and Railway Extension of \$5,182 included.

The C.P.R. owns all stocks and majority of funded debt of this line.
The Canadian Pacific has guaranteed the principal of the following outstanding obligations of companies owning railway lines operated under lease, the rental of which includes interest on these obligations.

	Rate of interest	Amount outstanding December 1936
	Per cent	\$
Algoma Eastern Railway Co.....	5	2,224
Calgary and Edmonton Railway Co.....	4	5,451
Joliette and Brandon Railway Co.....	4	12
Lacombe and North Western Railway Co.....	5	27
Quebec Central Railway Co.....	3½	1,064
Quebec Central Railway Co.....	5	1,644
		11,377

The Canadian Pacific Railway has also guaranteed interest on the following securities of companies controlled but not operated.

	Rate of interest	Principal outstanding December 1936
	Per cent	\$
Aroostook Valley Railroad Co.....	4½	(1) 45
Aroostook Valley Railroad Co.....	5½	28
Lord Nelson Hotel Company.....	4	60
Minneapolis, St. Paul & Sault Ste. Marie Railway Co.....	4	56,86
Minneapolis, St. Paul & Sault Ste. Marie Railway Co.....	5	8,13
Minneapolis, St. Paul & Sault Ste. Marie Railway Co.....	4	3,50
Minneapolis, St. Paul & Sault Ste. Marie Railway Co.....	5½	(2) 24.06

(1) Includes \$166,067 in sinking fund. (2) Includes \$12,500,000 pledged as collateral for interest.

In addition to the foregoing, the Canadian Pacific is bound jointly and severally with the Canadian National to indemnify the Province of Alberta against liability under its guarantee of principal and interest on \$9,420,000 of obligations assumed by the Northern Alberta Railways Company and to pay, on June 1st, 1939, the final instalment of \$5,580,000.00 on purchase price. Thus, the contingent liability of the Canadian Pacific Railway Company with respect to the principal of these obligations is \$7,500,000. The interest on \$15,000,000 of obligations above referred to, forms part of the Fixed Charges of the Northern Alberta Railways Company and one-half of the income deficit of that Company is taken currently in the Income Account of the Canadian Pacific. The Canadian Pacific, Michigan Central, New York Central and Canada Southern are bound jointly and severally to make up to Toronto, Hamilton and Buffalo Railway Company any interest which it is unable to provide with respect to its $4\frac{1}{2}$ per cent Consolidated Mortgage Bonds, amounting to \$2,000,000, of which \$128,000 principal amount is held in the treasury of the issuing company. The Canadian Pacific also guarantees payment to Trustees of a rental sufficient to pay interest and retire principal of \$719,000 First Mortgage 5% Bonds of the South Shore Dock Company, maturing serially to 1945, and is jointly and severally responsible with James Playfair for principal and interest of 5% construction loan being by Midland Simcoe Elevator Company, Limited, amounting to \$550,000.

Table 2 shows the operating results of the system for the fourteen years 1923 to 1936 adjusted, as explained in foot note (2), to be comparable throughout with data prepared for and presented in the "Duff Report" which put the Canadian Pacific and Canadian National accounts on bases as nearly similar as possible. Consequently, operating revenues and expenses will not agree with these accounts as shown in the annual reports, but this presentation makes possible direct comparisons between the two major railway systems of Canada.

Table 3 shows year by year the receipts from issue of securities and net income from operation.

Table 4 shows the disposal of the moneys received, as covered by Table 3. The difference in these tables and in Table 3 of the Canadian National Report is that here "net change in working capital—other balance sheet accounts" is included in Table 4 instead of Table 3. It is unimportant whether they are treated as receipts or expenditures as only net changes are shown.

Table 5 shows the principal operating statistics of the system. Consolidated pay roll data for 1923, 1924 and 1925 were not available, but all other data are on a comparable basis throughout and also are generally comparable with corresponding data for the Canadian National Railways. Employees include railway employees and also express, news, and commercial telegraph employees, but exclude those of hotel and other outside operations, and the total pay roll data apply to these employees. Pay roll charged to operating expenses does not include pay roll charged to capital but includes total Stores Department pay roll. In the latter respect it varies from the figure shown in the Canadian National Report.

CANADIAN PACIFIC RAILWAY COMPANY

TABLE 1

SECURITIES OUTSTANDING

December 31—	Capital Stock		Perpetual 4% Consolidated Debenture Stock	Bonds, Notes and Note Certificates	Total
	Ordinary	Preference 4% Non-cumulative			
	\$	\$	\$	\$	\$
1922.....	260,000,000	80,681,921	(2) 248,229,866	70,320,000	659,231,78
1923.....	260,000,000	93,335,254	254,244,882	16,380,000	623,960,11
1924.....	260,000,000	100,148,588	264,244,882	56,440,000	680,833,41
1925.....	260,000,000	100,148,588	264,244,882	54,500,000	678,893,41
1926.....	260,000,000	100,148,588	264,244,882	81,924,600	706,318,07
1927.....	(1)294,002,549	100,148,588	264,244,882	77,604,600	736,000,61
1928.....	(1)299,353,166	105,015,255	276,544,882	72,978,100	753,891,41
1929.....	(1)333,061,716	117,181,921	276,544,882	129,235,700	856,024,21
1930.....	335,000,000	129,348,588	291,411,549	166,217,900	921,978,01
1931.....	335,000,000	137,256,921	291,411,549	187,849,400	951,517,81
1932.....	335,000,000	137,256,921	291,411,549	202,535,800	966,204,21
1933.....	335,000,000	137,256,921	291,411,549	226,450,200	990,118,61
1934.....	335,000,000	137,256,921	291,411,549	210,381,700	974,050,11
1935.....	335,000,000	137,256,921	291,411,549	207,980,700	971,649,11
1936.....	335,000,000	137,256,921	291,411,549	(3)215,735,400	979,403,81

(1) Includes payments on subscriptions to new ordinary stock.

(2) Excludes \$5,000,000 principal amount held in treasury, December 31, 1922, subsequently sold.

(3) Does not reflect deposit of \$9,290,145 of securities as at December 31, 1936, with Trustee of 5 Equipment Trust.

CANADIAN PACIFIC RAILWAY COMPANY⁽¹⁾

TABLE 2

Year	Operating Revenues ⁽²⁾	Operating Expenses ⁽³⁾	Net Operating Revenues	Net income before Rent for Leased Roads and Interest on Funded Debt	Rent for Leased Roads	Interest on Funded Debt
	\$	\$	\$	\$	\$	\$
1923.....	212,218,432	171,902,618	40,315,814	48,730,232	3,335,775	10,950,91
1924.....	197,546,323	159,056,000	38,490,323	46,757,007	3,378,820	11,502,71
1925.....	201,176,745	155,492,589	45,684,156	51,121,534	3,288,925	11,912,41
1926.....	217,359,680	164,743,836	52,616,344	*56,121,365	3,451,192	12,321,81
1927.....	221,420,916	173,817,410	47,603,506	51,679,464	3,671,323	13,107,71
1928.....	251,567,043	189,602,528	61,964,515	65,497,551	3,633,256	13,007,71
1929.....	233,339,514	180,404,670	52,934,844	59,221,792	3,648,512	13,800,61
1930.....	196,211,626	153,750,665	42,460,961	56,082,721	3,615,713	16,769,11
1931.....	154,963,411	124,448,912	30,514,499	33,899,285	3,632,159	18,765,51
1932.....	*130,450,800	105,554,579	*24,896,221	23,417,211	3,680,404	20,160,91
1933.....	*120,430,958	94,870,706	*25,560,252	25,878,276	3,676,150	20,944,61
1934.....	*131,947,017	101,275,080	*30,671,937	31,235,317	3,625,070	21,140,41
1935.....	*135,208,669	107,775,586	*27,433,083	26,833,726	3,574,850	20,426,71
1936.....	143,990,223	115,239,930	28,750,293	29,512,298	3,575,718	19,907,31

—	Net Income Before Dividends	Dividends		Profit and Loss Debits and Credits	Net Change Profit in and Loss Balance	Profit and Loss
		Preferred	Ordinary			
	\$	\$	\$	\$	\$	\$
1923.....	34,443,524	3,675,010	26,000,000	—	4,768,514	(4)141,650,341
1924.....	31,875,454	3,993,341	26,000,000	— 300,000	1,582,113	146,418,855
1925.....	35,920,195	4,005,944	26,000,000	— 300,000	5,614,251	148,000,968
1926.....	40,348,283	4,005,944	26,000,000	124,818	10,467,157	153,615,219
1927.....	34,900,351	4,005,944	26,000,000	— 204,019	4,590,388	164,082,376
1928.....	48,856,573	4,067,547	29,353,633	— 476,065	14,959,328	167,672,764
1929.....	41,772,662	4,674,790	30,750,000	— 683,186	5,664,686	183,632,092
1930.....	35,697,854	5,005,624	33,242,907	— 390,345	— 2,941,022	189,296,778
1931.....	11,501,609	5,410,697	16,750,000	— 107,730	— 10,766,818	186,355,756
1932.....	— 424,115	2,145,139	.....	— (5)5,349,989	— 8,519,243	175,588,938
1933.....	1,251,161	.....	.....	— (6)16,333,176	— 15,076,015	167,069,695
1934.....	6,469,791	.....	.....	— (7)12,550,750	— 6,080,959	151,993,680
1935.....	(8)2,832,084	.....	.....	— (9)9,240,117	— 6,408,033	145,912,721
1936.....	(10)6,029,184	.....	.....	— (11)7,001,169	— 971,985	139,504,688
						138,532,703

* Revised.

(1) The published statements of operating revenues, expenses, etc., of the Canadian Pacific Railway Company since January 1, 1932, have included Dominion Atlantic, Esquimalt and Nanaimo, Montreal and Atlantic and Quebec Central Railways; since July 1, 1931, Fredericton and Grand Lake Coal and Railway and New Brunswick Coal and Railway; and since January 1, 1931, Kettle Valley Railway. Figures for all prior to dates cited have been restated for the purpose of uniformity to include these subsidiaries which were previously separately operated.

(2) Includes gross of commercial telegraphs, news and express; excludes ocean traffic commission.

(3) Includes full pension disbursements; excludes ocean traffic expenses.

(4) This figure is derived as follows: Surplus Revenue December 31, 1922, as per balance sheet \$129,-06,628, undistributed balance of Special Income include in Surplus in Other Assets December 31, 1922, \$15,827,414, net surplus of subsidiaries and pension fund not consolidated in general balance sheet December 31, 1922, \$4,429,938, less dividends declared account 1922 and paid April 1, 1923, \$8,113,639.

(5) Loss on lines abandoned, property retired and not replaced, and miscellaneous debits \$2,031,985, provision for losses in respect of investment in lines in the United States controlled through stock ownership \$4,000,000, less excess of pension disbursements over appropriation \$681,996.

(6) Provision for depreciation of Ocean and Coastal Steamships \$3,854,481; exchange in connection with retirement of securities (net) \$111,478; balance of unemployment relief expenditure, carried as deferred charges December 31, 1932, \$6,327,616; loss on lines abandoned, property retired and not replaced, and miscellaneous debits \$2,039,601; provision for losses in respect of investment in lines in the United States controlled through stock ownership \$4,000,000.

(7) Provision for depreciation of Ocean and Coastal Steamships \$3,783,660; loss on lines abandoned, property retired and not replaced, and miscellaneous debits \$4,767,090; provisions for losses in respect of investment in lines in the United States controlled through stock ownership \$4,000,000.

(8) After deduction of provision for depreciation of Ocean and Coastal Steamships \$3,550,996. In 1933 and 1934 similar provision for depreciation was deducted from Profit and Loss.

(9) Loss on lines abandoned, property retired and not replaced \$4,692,086, miscellaneous net debit, 548,031; provision for losses in respect of investment in lines in the United States controlled through stock ownership \$4,000,000.

(10) After deduction of provision for depreciation of Ocean and Coastal Steamships \$3,567,151.

(11) Amount credited investment reserve being equivalent to advances made to Minneapolis, St. Paul and Sault Ste. Marie Railway Company to make up deficiency in amount available to meet interest obligations for year 1936 guaranteed by Canadian Pacific Railway Company \$3,659,645; loss on lines abandoned and on property retired and not replaced \$3,357,400; miscellaneous, net credit \$15,876.

CANADIAN PACIFIC RAILWAY COMPANY

CAPITAL RECEIVED

TABLE 3.

Year	Capital Stock (Ordinary and Preference)		Perpetual 4% Consolidated Debenture Stock		Bonds, Notes and Note Certificates Net Increase in Amount Issued			Net Receipts from Issue of Securities	Net Income of System before Dividends	GRAND TOTAL
	Increase In Par Value Issued	Premium Less Issue Expenses	Increase In Par Value Issued	Discount and Issue Expenses	Bonds and Notes	Note Certificates	Discount and Issue Expenses			
Cash on hand December 31, 1922.....										
1923.....	12,653,333	—	6,015,016	—	1,367,694	—	52,000,000	—	39,435,767	34,443,524
1924.....	6,813,334	—	10,000,000	—	2,100,000	—	30,000,000	—	49,847,990	31,875,454
1925.....			1,940,000	—		—			1,940,000	35,920,195
1926.....							2,135,400		25,908,989	40,348,283
1927.....	(1)34,002,549					—	1,380,000		29,682,549	34,900,351
1928.....	(1)10,217,284	17,850,857	12,300,000	—	2,203,976	—	2,156,000		33,537,665	48,856,573
1929.....	(1)45,575,216	20,501,875		—	2,306	—	1,732,400		121,132,167	41,772,662
1930.....	14,104,951	565,613	14,866,667	—	2,430,750	—	267,800		62,006,948	35,697,854
1931.....	7,908,333	—		—	10,100	—	418,500		27,789,473	11,501,609
1932.....						—	363,600		14,400,616	—
1933.....						—	221,600		23,914,400	1,257,161
1934.....						—	475,500		16,703,996	6,469,791
1935.....						—	322,000		2,401,000	2,832,084
1936.....							301,800		4,723,306	6,029,184
	131,575,000	33,010,159	(2)43,181,683	8,115,020	(3)177,200,500	31,785,100	—	11,943,882	333,123,340	331,480,610
										705,747,843

NOTES: (1) Includes amount of instalments paid in on new Ordinary Capital Stock in years in which received.

(2) Includes \$5,000,000 Perpetual 4% Consolidated Debiture Stock held in Treasury as at December 31, 1932; subsequently sold.

(3) Does not reflect deposit of \$9,290,145 of securities as at December 31, 1936, with Trustee of 5% Equipment Trust.

CAPITAL EXPENDED

TABLE 4.

Year	Railway Rolling Stock, Inland Steamships, Hotel, Communi- cation and Miscellaneous Properties	Improve- ments on Leased Railway Property	Ocean and Coastal Steamships	Stocks, Bonds and other Securities of Leased Controlled and Jointly Controlled Railway Companies and Wholly Owned Companies-- Cost	Miscellaneous Investments --Cost	Advances to Controlled and Other Companies Net	Net Change in Working Capital, Reserves and Other Balance Sheet Accounts	Dividends	Grand Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$
1923.....	18,291,402	3,474,150	173,083	2,018,906	116,354	—	(1) -58,312,307	29,675,010	- 4,992,243
1924.....	16,534,374	- 3,096,605	186,296	7,003,788	46,258	428,835	30,524,199	29,993,341	81,723,444
1925.....	8,056,109	361,998	111,187	4,118,645	1,009,523	1,132,487	10,815,698	30,005,944	33,980,195
1926.....	13,539,888	886,616	1,860,514	120,199	1,977,730	46,214	17,930,474	30,005,944	66,317,272
1927.....	20,933,541	1,326,535	14,473,514	2,808,000	1,260,821	—	5,923,031	30,005,944	64,582,900
1928.....	34,475,316	2,550,534	9,715,262	2,434,173	1,473,396	1,128,357	—	33,421,180	82,394,238
1929.....	71,639,311	3,861,572	14,685,156	6,310,723	1,710,119	3,431,722	25,841,436	35,424,790	162,904,829
1930.....	35,033,494	3,807,017	15,985,865	7,548,263	5,760,464	2,401,592	10,480,424	38,248,531	98,304,802
1931.....	22,613,597	8,030,475	2,262,731	9,075,071	7,157,156	- 14,070,002	17,989,643	22,100,697	39,291,082
1932.....	2,454,890	885,739	10,362	1,692,166	—	5,585,176	2,023,141	2,745,139	13,976,501
1933.....	1,061,558	199,455	28,640	7,575,818	3,791,666	169,937	14,467,603	—	25,171,561
1934.....	- 4,879,804	1,387,424	- 4,379,264	2,543,500	—	5,030,306	5,969,030	—	- 10,234,205
1935.....	- 1,298,817	- 1,061,439	- 7,037,837	- 3,321,967	933,254	6,100,059	*6,057,854	—	*431,084
1936.....	(2) 6,534,102	- 1,238,934	- 234,503	- 1,676,868	61,656	4,231,341	20,611,297	—	28,288,068
Cash on hand December 31, 1936.....	242,955,545	21,424,530	47,841,006	48,251,411	19,801,865	15,007,800	5,170,851	281,686,520	705,747,843

Notes: (1) Includes reduction of \$9,452,380 in cash and \$39,956,612 in securities held as at December 31, 1922, for retirement of \$52,000,000 par value 6% note certificates which were called for payment July 10, 1923.

(2) Includes \$2,319,340 account transfer of net earnings, previously credited Hotel Investment, to Hotel Depreciation Reserve.

* Revised.

CANADIAN PACIFIC RAILWAY COMPANY (C)

OPERATING STATISTICS

TABLE E.

Year	Average Miles of Road Operated	Revenue Freight Carried (Tons)	Revenue Ton Miles (Millions)	Passengers Carried ⁽²⁾ (Thousands)	Passenger Miles (Millions)	Freight Revenue (Thousands)	Passenger Revenue (Thousands)	Total Operating Revenue (Thousands)	Total Operating Expenses (Thousands)	Freight Train Miles (Thousands)
1923.....	14,617	32,939	14,567	16,224	1,401	\$ 139,979	\$ 38,050	\$ 57,537	\$ 212,218	27,673
1924.....	14,846	30,621	12,717	15,602	1,282	128,716	33,387	54,097	197,543	24,811
1925.....	15,175	32,969	13,334	15,012	1,307	133,716	34,715	53,191	201,177	26,057
1926.....	15,372	35,903	14,188	15,075	1,314	147,430	35,811	55,026	217,360	27,307
1927.....	15,600	33,874	14,870	15,110	1,328	150,563	36,393	56,041	221,421	28,915
1928.....	15,819	42,977	18,423	14,751	1,377	177,863	37,155	57,551	231,567	33,127
1929.....	16,090	40,977	14,951	14,054	1,237	160,361	33,877	53,150	233,340	28,413
1930.....	16,416	33,733	12,370	12,446	1,026	133,015	29,274	47,373	196,212	24,734
1931.....	16,745	27,187	10,793	9,442	743	106,634	20,360	35,055	134,963	21,221
1932.....	15,883	22,613	10,047	7,916	645	91,127	16,578	30,957	*130,451	18,975
1933.....	17,030	32,020	9,333	7,174	614	85,135	14,193	26,544	*120,431	17,015
1934.....	17,615	25,606	10,026	7,593	865	94,787	15,015	28,069	*131,917	18,420
1935.....	17,292	26,694	10,322	7,424	696	97,794	13,031	28,298	*135,209	18,838
1936.....	17,241	27,985	11,421	7,387	739	105,439	15,539	29,133	143,990	20,417

Year	Passenger Train Miles	Averages per Mile of Road Operated			Average per Freight Train Mile		Average per Passenger Train Mile		Average Tons per Loaded Car Mile ⁽³⁾	Average Haul Rev. Freight Miles
		Rev. Ton Miles	Passenger Miles	Operating Revenue	Operating Expenses	Rev. Ton Miles	Freight Revenue	Pass. Train Revenues		
	(Thousands)			\$	\$		\$			
1923.....	20,806	996,575	95,840	14,519	11,760	526	5.05	67.33	28.18	442.3
1924.....	20,925	856,642	86,369	13,306	10,714	513	5.19	61.28	27.18	415.3
1925.....	21,025	880,679	86,152	13,257	10,247	513	5.13	62.18	26.49	405.3
1926.....	21,088	922,968	85,472	14,140	10,717	508	5.28	62.31	26.61	391.5
1927.....	21,508	953,189	85,147	14,194	11,142	514	5.21	61.76	27.15	403.3

Year	Average Passenger Journey Miles	Average Revenue					Number of Employees	Total Pay Roll (Thousands)	Pay Roll charged to Operating Expenses (Thousands)	Ratio of Operating Pay Roll to Revenues (Per Cent)	Ratio of Operating Expenses to Revenues (Per Cent)
		Per Ton of Freight	Per Passenger	Per Ton Mile		Per Passenger Mile					
				\$	Cents						
1929.....	21,975	929,185	78,103	14,502	11,212	526	5.64	57.19	2.57	26.34	364.9
1930.....	21,836	753,598	62,827	11,952	9,366	499	5.37	47.01	2.18	25.81	366.7
1931.....	19,693	644,571	44,356	9,254	7,432	509	5.02	37.72	1.83	26.38	397.0
1932.....	17,998	596,129	38,181	*7,724	6,250	531	4.80	35.83	1.67	27.64	445.2
1933.....	16,220	549,211	36,040	*7,072	5,571	550	5.00	37.84	1.64	26.98	424.8
1934.....	16,025	589,271	40,233	*7,755	5,952	544	5.15	42.72	1.75	26.34	391.6
1935.....	16,098	610,952	40,443	*7,851	6,258	559	5.19	43.27	1.76	26.44	403.2
1936.....	16,190	662,619	44,030	8,352	6,684	560	5.16	46.89	1.80	26.72	408.2
Year	Average Passenger Journey Miles	Average Revenue					Number of Employees	Total Pay Roll (Thousands)	Pay Roll charged to Operating Expenses (Thousands)	Ratio of Operating Pay Roll to Revenues (Per Cent)	Ratio of Operating Expenses to Revenues (Per Cent)
		Per Ton of Freight	Per Passenger	Per Ton Mile		Per Passenger Mile					
				\$	Cents						
1923.....	86.35	4.25	2.35	.961	2.716					81.00	
1924.....	82.18	4.20	2.28	1.012	2.775					80.52	
1925.....	86.91	4.06	2.31	1.001	2.655					77.29	
1926.....	87.15	4.10	2.38	1.039	2.726	68,778				75.79	
1927.....	87.91	4.08	2.41	1.013	2.740	71,465				75.79	
1928.....	93.38	4.14	2.52	.965	2.698	75,709				87.50	
1929.....	89.42	3.91	2.55	1.073	2.855	74,274				77.37	
1930.....	82.47	3.94	2.35	1.075	2.852	69,740				77.31	
1931.....	78.66	3.92	2.18	.988	2.768	60,461				78.36	
1932.....	81.45	4.03	2.09	.905	2.571	53,411				80.31	
1933.....	85.56	3.87	1.97	.910	2.308	49,412				*80.92	
1934.....	90.16	3.70	1.98	.945	2.193	50,650				*51.38	
1935.....	93.82	3.75	2.02	.929	2.158	65,317				*48.61	
1936.....	102.76	3.77	2.10	.923	2.047	69,737				*79.71	
1937.....						37,696				49.90	
1938.....											80.03

(1) The published statements of operating revenues, expenses and statistics of Canadian Pacific Railway Company since January 1, 1932, have included Dominion Atlantic, Esquimalt and Nanaimo, Montreal and Atlantic and Prince Central Railways; since July 1, 1931, Fredericton and Grand Lake Coal and Railway and New Brunswick Coal and Railway; and since January 1, 1931, Kettle Valley Railway. Figures for all years prior to dates cited have been restated for the purpose of uniformity to include these subsidiaries which were previously separately operated. Figures for all years include gross of commercial telegraphs, news and express; ocean traffic commission excluded from operating revenues, ocean traffic expenses from operating expenses and ocean traffic payroll from payroll charged to operating expenses.

(2) Duplications within the system, 1923-1931, not eliminated.

* Revised.

SPECIAL COMMITTEE

EXHIBIT No. 27

STATEMENT No.

DEPARTMENT OF TRANSPORT
HUDSON BAY RAILWAY AND TERMINALS
SUMMARY OF EXPENDITURE TO MARCH 31, 1938

	Capital Expenditure		Other Expenditure		Total
	\$	cts.	\$	cts.	\$ cts.
1. Railway.....	33,518,454	06	*862,557	56	34,381,011
2. Port Nelson Terminal (abandoned).....	6,240,200	86	34,017	02	6,274,217
3. Churchill Terminal (transferred to National Harbours Board, Dec. 31, 1936).....	13,273,202	71	931,530	37	**14,204,733
	53,031,857	63	1,828,104	95	54,859,962

Expenditure fiscal year 1937-38 estimated. Actual figures not available at date.

*Operating deficit—fiscal years 1935-36, 1936-37 and 1937-38 detailed on Statement 2.

**Total expenditure to December 31, 1937, including \$9,443.94, capital expenditure and \$140,889. operating deficit, calendar year 1937, under National Harbours Board.

Revenue, principally from operation of elevator, amounting to \$344,586.66, are not included in above Churchill terminal figures.

The total of \$54,859,962.58 does not include expenditures by the Department of Marine for aids navigation.

STATEMENT No.

DEPARTMENT OF TRANSPORT

HUDSON BAY RAILWAY

STATEMENT OF REVENUE AND OPERATING EXPENSES

FISCAL YEARS 1935-36, 1936-37 AND 1937-38 (1937-38 ESTIMATED)

	1935-36		1936-37		1937-38 (Estimated)
	\$	cts.	\$	cts.	\$ cts.
Operation.....	272,384	77	268,148	23	205,000
Maintenance.....	303,187	01	344,474	94	303,000
Gross Operating Expenses.....	575,571	78	612,623	17	508,000
Less Gross Revenues.....	335,869	03	359,768	36	138,000
Net Operating Deficit.....	239,702	75	252,854	81	370,000
<i>Division of Operating and Miscellaneous Revenues</i>					
Freight.....	280,136	88	304,781	99	90,600
Passenger.....	36,539	69	32,817	65	32,000
Express and Mail.....	5,664	13	5,549	09	5,900
Telegraph.....	2,884	95	3,754	46	3,000
Sleeping Car.....	1,182	62	1,341	15	1,300
Dining and Buffet.....	850	95	784	95	650
Miscellaneous.....	8,609	81	10,739	07	4,550
	335,869	03	359,768	36	138,000
Grain movement (No. of bushels).....	2,351,633		2,683,415		Nil
Grain movement—Revenue.....	\$	cts.	\$	cts.	\$
	174,060	45	198,895	59	Nil

NOTE: Prior to April 1, 1935, operating deficits included in capital expenditure.

RAILWAY CONDITIONS

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DEPARTMENT OF TRANSPORT

STATEMENT No. 3

HUDSON BAY RAILWAY

Statement of Revenue Tonnage by Commodities, Handled on Hudson Bay Railway,
Calendar Years 1930, 1931, 1932, 1933, 1934, 1935, 1936 and 1937

Commodity	1930	1931	1932	1933	1934	1935	1936	1937
Wheat.....		16,348	159,013	85,282	121,851	70,655	80,547	26
Oats.....	48	5	56		192	21	119	26
Flour.....	135	136	703	373	1,935	258	227	261
Other Mill Products.....	169	139	524	61	3,718	214	2,408	233
Hay and Straw.....	208	204	200	175	406	251	238	218
Potatoes.....	98	24	68	25	33	90	48	63
Other Fresh Vegetables.....	20	103		9		15		
Other Agricultural Products.....			6		7		6	
Horses.....	31	45	12		43	60	44	21
Cattle and Calves.....				125	292		10	
Hogs.....		8						
Dressed Meats (Fresh).....	92	100	21	14	10	24		15
Dressed Meats (Cured, Salted and Canned).....						14		
Other Packing House Products (edible).....	23			11	16	22	59	43
Butter.....						13		
Hides and Leather.....						7	15	6
Anthracite Coal.....	248	110	180	248	309	64	36	30
Bituminous Coal.....	9,080	11,513	5,306	3,697	2,033	2,647	3,556	1,504
Lignite Coal.....	2,630	1,170	1,088	1,639	432	943	625	471
Coke.....	28							
Other Ores and Concentrates.....		30		18		289		
Sand and Gravel.....	160	73						
Stone (crushed or broken).....			88					
Slate (dimension or block) stone.....	230	105	54	37			122	
Asphalt (natural by-product petroleum).....	83	39						
Salt.....	14			41				
Other Mineral Products.....		95		80				
Logs, Posts, Poles and Piling.....	1,945		96		26	81		
Cordwood and Other Firewood.....	748	465	129	500	284	278	262	904
Ties.....							361	
Lumber, Timber Box and Crate Material.....	11,073	10,410	1,108	872	2,856	1,972	898	228
Other Forest Products.....	25	20		10			15	15
Gasoline.....	249	353	419	240	776	1,395	559	612
Petroleum Oil and Other Petroleum Products (except gasoline).....	104	89	72	114	191	535	814	1,075
Sugar.....	21	5	23	17	26	47	49	37
Rails and Fastening.....		55		40	96	51	92	
Iron and Steel (Bar sheet and structural pipe).....	2,580	1,646	1,622	151	101	645	256	192
Castings, Machinery and Boilers.....	233	1,942	155	101	132	476	156	196
Cement.....	3,721	8,743	635	86	218	912	415	54
Brick and Artificial Stone.....	55	1,200		30			15	21
Lime and Plaster.....		40			23	95	145	130
Agricultural Implements, Vehicles, other than Autos.....		89	32	60	410	208	70	43
Automobiles, Auto Trucks, and Auto Parts.....		27				5	20	
Household Goods and Settlers Effects.....	29	12	22	22	12	12	64	94
Furniture.....	11							
Liquor Beverages.....			45	72	80	81	82	92
Fertilizers, all kinds.....	13							
Paper Board, Pulp Board and Wall Board Paper.....	11				19	18		22
Fish (fresh, frozen, cured, etc.).....	160	115	252	168	169	273	345	320
Canned Goods (all canned goods except meat).....		13		14	13	48	28	
Other Manufactures and Miscellaneous.....	2,437	2,314	1,057	1,136	1,452	2,734	2,187	1,884
Merchandise (all L.C.L. Freight).....	2,087	2,131	2,107	2,040	2,781	3,127	3,116	3,140
Total.....	38,799	59,916	175,093	97,521	141,017	88,580	98,009	11,976

STATEMENT No. 4

DEPARTMENT OF TRANSPORT

STATEMENT SHOWING NUMBER OF REVENUE PASSENGERS HANDLED ON
HUDSON BAY RAILWAY FOR CALENDAR YEARS 1930, 1931, 1932, 1933, 1934,
1935, 1936 AND 1937.

Year	No. of passengers
1930.....	11,047
1931.....	10,682
1932.....	6,099
1933.....	5,398
1934.....	8,070
1935.....	7,733
1936.....	7,244
1937.....	6,956

SPECIAL COMMITTEE

STATEMENT No. 5

DEPARTMENT OF TRANSPORT, HUDSON BAY RAILWAY

MISCELLANEOUS DATA

[illegible]

DEPARTMENT OF TRANSPORT

MARITIME FREIGHT RATE ACT

TOTAL PAYMENTS ON ACCOUNT TO DECEMBER 31, 1937

	July 1, 1927, to Dec. 31, 1936	Calendar Year 1937	Total to Dec. 31, 1937
<i>Railways Other than Canadian National—</i>			
Atlantic, Quebec and Western Railway.....	\$ (1)40,776 13		\$ (1)40,776
Canada and Gulf Terminal Railway.....	32,927 77	3,645 49	36,573
C.P.R., including Fredericton-Grand Lake Coal & Railway Co. and New Brunswick Coal & Railway Company.....	2,202,716 28	266,833 77	2,469,550
Cumberland Railway and Coal Company....	254,422 53	31,432 11	285,854
Dominion Atlantic Railway.....	1,713,271 25	174,952 86	1,888,224
Maritime Coal Railway & Power Company..	187,179 68	13,771 85	200,951
Quebec Oriental Railway.....	(1)22,418 84		(1)22,418
Sydney and Louisbourg Railway.....	2,196,570 37	283,623 60	2,480,193
Temiscouata Railway.....	198,766 77	20,692 28	219,459
<i>Total Railways Other than Canadian National.....</i>	<i>6,849,049 62</i>	<i>794,951 96</i>	<i>7,644,001</i>
<i>C.N.R. Deficits due to 20% Tolls Reduction.....</i>	<i>17,820,695 81</i>	<i>2,387,505 81</i>	<i>20,208,201</i>
<i>Total All Railways due to 20% Tolls Deduction...</i>	<i>24,669,745 43</i>	<i>3,182,457 77</i>	<i>27,852,203</i>

NOTE.—From July 1, 1927, to December 31, 1933, balance of deficits of C.N.R. Eastern Lines paid under this Act, amount \$39,597,353.14.

(2) For period July 1, 1927, to May 31, 1929. Railway now part of Canadian National Railways.

RAILWAY AUDITOR'S OFFICE,
Ottawa, April 4, 1938.

1938
THE SENATE OF CANADA



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 5

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESS

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian
National Railways.

EXHIBITS

- No. 29. Statement as to the activities of the Joint Co-operative Committee appointed under the C.N.-C.P. Act.
No. 30. List of applications by C.N.Rys. for abandonment of lines, 1935 to date.
No. 31. List of applications by C.P.Ry. for abandonment of lines, 1935 to date.
No. 32. Copy of C.N.-C.P. Joint Co-operative Committee report No 32.
No. 33. Copy of C.N.-C.P. Joint Co-operative Committee report No. 23.

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, May 5, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham, and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon Mr. Graham): Well, gentlemen, shall we proceed?

Hon. Mr. MORAUD: May I make a suggestion, Mr. Chairman? We yesterday had statements concerning land carriers, but we did not seem to have anything concerning water carriers. I do not think we will have the right idea of the whole problem unless we have this other element of water carriers. Could we have some figures or some data about transportation by water?

Mr. BIGGAR: Mr. Chairman, I made inquiries on this subject from the Bureau of Statistics, and also with regard to highway traffic. I asked, in connection with these two kinds of traffic, how far we could go in the way of giving figures that were of the same character as those we can give with regard to railway traffic. The railway traffic figures are very complete, as you will observe, but the Bureau of Statistics tells me that nothing which they have is by comparison as complete in connection with water transportation. There are some figures with regard to the expenditure on canals and the expenditure for the maintenance of canals, but I understand that these have not always been kept in the same way, and that it is therefore extremely difficult, even from the departmental figures, to get any resulting figures that are fairly significant.

The CHAIRMAN (Right Hon. Mr. Graham): And once you had a revenue. Now you have not.

Mr. BIGGAR: Then, the returns with regard to water transportation differ. There are good returns, I understand, respecting the movement of vessels through the canals, and there are some returns, which I understand are on a somewhat different basis, of vessels entering and leaving harbours. But these two sets of returns are not quite on the same footing and will require a reconciliation, which never has been made, and the consequence is that it is practically impossible to get any significant figures about water transportation. The difficulty about getting figures with regard to highway transport is obvious to the committee. That is the reason there is nothing more before the committee on water and road transport than has been laid before you.

The CHAIRMAN (Right Hon. Mr. Graham): How would it be to have further inquiries made just to see how much of that information we could get? If it is not worth while we will not bother with it.

The CHAIRMAN (Hon. Mr. Beaubien): The only element of interest, it seems to me, with respect to the question put by Senator Moraud, is the amount of traffic by water that has been taken away from the railways? That is the only thing. It means wheat and only wheat, and that we can get.

Mr. BIGGAR: That you have got in the Welland canal figures, as far as it can be got. I have forgotten the number of the chart in which that appears, but

the chart shows the difference in the movement of freight through the Welland canal. It does not cover all wheat, because some wheat is unloaded at Buffalo, and we have no figures about that.

The CHAIRMAN (Hon. Mr. Beaubien): And cannot get them?

Mr. BIGGAR: And cannot get them.

Hon. Mr. DANDURAND: An inquiry is going on in the House of Commons with respect to water transportation. We may get considerable information from that source.

Hon. Mr. HAIG: I think the Grain Exchange at Winnipeg can give you the grain figures.

The CHAIRMAN (Hon. Mr. Beaubien): By water?

Hon. Mr. HAIG: Both ways.

The CHAIRMAN (Hon. Mr. Beaubien): Separately?

Hon. Mr. HAIG: Separately. I am sure they will have that, because the grain is all handled there, and they know how much goes by rail and how much by water.

Mr. BIGGAR: I shall make further inquiries.

Hon. Mr. HAIG: I think the Secretary of the Grain Exchange could give the information. Some goes east, some goes west, some goes south and some goes by Churchill.

Mr. BIGGAR: With regard to the grain traffic alone, we can get the information, I imagine. I remember that was done by some commission five or six years ago. Mr. Sanford Evans had very complete figures with regard to the grain traffic. I do not mean that we cannot get figures with regard to individual commodities like wheat, but there are difficulties in the way of doing what has been suggested. Of course we can pile up figures of all kinds.

The CHAIRMAN (Right Hon. Mr. Graham): It would be interesting and think instructive if we could put our finger upon the approximate result of motor traffic and water borne traffic on the railways.

Now, Colonel Biggar, will you proceed?

Mr. BIGGAR: I suppose we had first better come back to that statement which was distributed at the close of yesterday's meeting and which will be Exhibit 29, the statement as to the activities of the Joint Co-operative Committee. I do not know whether members of the Committee want it read, or whether it has been read by all members, in which case we need not take time to read it here.

The CHAIRMAN (Right Hon. Mr. Graham): Shall this be read?

Hon. Mr. HAIG: I think it should be read.

Hon. Mr. DANDURAND: Have you read it?

Hon. Mr. HAIG: Yes, I have read it.

Hon. Mr. DANDURAND: Then, why have it read here?

Hon. Mr. HAIG: I think all the Committee should read it or hear it.

Hon. Mr. DANDURAND: If the members of the Committee have read the document, that should be enough.

The CHAIRMAN (Hon. Mr. Beaubien): Let us inquire.

Hon. Mr. HORSEY: I have read it; I do not want it read.

Hon. Mr. HUGESSEN: I have read it.

Hon. Mr. BUCHANAN: I have read it.

The CHAIRMAN (Hon. Mr. Beaubien): Have you read it, Senator Parent?

Hon. Mr. PARENT: Yes, I have read it.

The CHAIRMAN (Hon. Mr. Beaubien): And you, Senator Côté?

Hon. Mr. COTE: I have not read it.

The CHAIRMAN (Hon. Mr. Beaubien): The only culprit.

The CHAIRMAN (Right Hon. Mr. Graham): He is the only one who has confessed. I think it would not be a bad idea to read it, and then no one will have any excuse.

The CHAIRMAN (Hon. Mr. Beaubien): Do you want it read, gentlemen?

Some Hon. SENATORS: No.

The CHAIRMAN (Right Hon. Mr. Graham): But maybe Colonel Biggar thinks it is essential, for the proper information of this Committee, to have it read?

Mr. BIGGAR: No.

The CHAIRMAN (Hon. Mr. Beaubien): Do you want to comment upon it, Colonel Biggar?

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): I think it would be well if you would touch upon the highlights.

Mr. BIGGAR: There are two or three things that I will call attention to in this report. The actual report itself is quite easy to follow. You will observe from the first schedule that Mr. J. E. Armstrong, Assistant Chief Engineer of the Canadian Pacific Railway, has been a member of the Canadian Pacific section of the Joint Co-operative Committee ever since December, 1932, and Chairman of his section from May 10, 1934, to February 8, 1938. He is the only one who continued to be a member of the Canadian Pacific section down to this year. Of the three present members, two have been members only since February 8 this year, and the third, Mr. Grout, the present Chairman of his section, has been a member from May 20, 1936. Mr. Armstrong is in attendance and will be available as a witness.

Right Hon. Mr. MEIGHEN: He signs the report.

Mr. BIGGAR: Yes, for the reasons stated in the last part of the second paragraph of the report. This says:—

Mr. J. E. Armstrong, who withdrew from it only in February last, was, however, an original member and chairman of his section from 1934 until his withdrawal. He has acted in the latter capacity for the purpose of preparing material for the consideration of the Senate Committee but Mr. H. C. Grout is the present Sectional Chairman and acts as such for all other purposes.

In regard to the Canadian National section you will observe that Mr. S. W. Fairweather has been chairman of it since its organization in December, 1932; and that Mr. C. S. Gzowski, Chief Engineer of Construction, has been a member during all that time. Mr. N. B. Walton, Chief of Transportation, the third present member of this section, has been a member of it only since December 22, 1936.

The CHAIRMAN (Right Hon. Mr. Graham): This Joint Co-operative Committee is composed of two boards?

Mr. BIGGAR: Two sections, yes.

The CHAIRMAN (Right Hon. Mr. Graham): One section representing each railway. And when you say one gentleman is chairman and then that another gentleman is chairman, that means there are two separate sections, one representing each railway, and that these sections get together and represent both railways?

Mr. BIGGAR: Exactly.

Then with regard to the summary of reports upon projects, at page 11, you will observe that this is divided into six classes. There were 24 projects unfavourably reported upon; two were returned for further consideration and eight are working reports. Then the first three groups cover 28 reports. The summary shows that in 12 cases the projects are in effect; in two cases agreements have been completed but are not yet in effect, and in 14 cases projects are not yet in effect and agreements have not yet been completed. Now, I have made an analysis of those, and of the total I find that 15 related to line abandonments. There were 655.77 miles of lines which it was agreed to abandon, and the savings were estimated at \$624,508.

Right Hon. Mr. MEIGHEN: Where is that?

Mr. BIGGAR: It is not in the report. That is a calculation made from it. That works out at an average saving of \$952 a mile. Then there were 12 reports that had nothing to do with line abandonments but dealt with switching arrangements and combined terminals and pooling of trains and that sort of thing, and those show estimated aggregate savings of \$1,054,587.

The CHAIRMAN (Right Hon. Mr. Graham): Almost all the saving, then, was made in that part of the co-operation?

Mr. BIGGAR: Not quite two-thirds, something less than two-thirds of the savings were made in other things than line abandonments, and a little more than one-third in line abandonments. I can give you the number of those, in case any member wanted to refer to them. The reports that are on line abandonments only are 25, 30, 31, 33 to 36, inclusive, 38-A, 39 to 41, inclusive, 47, 55, 60, 61 and 62.

The other ones which related to savings and were ready to be put into effect if indeed they were not already in effect, and did not have anything to do with line abandonments, are Nos. 1 to 4 inclusive, 9, 12, 20, 22, 24, 27, 28 and 52. Of the \$1,054,000 savings included in that last group, \$879,442 were savings in connection with the pooling of trains Toronto to Ottawa, Montreal to Ottawa, and Quebec to Montreal; leaving something well under \$200,000 for the other kind of savings.

The CHAIRMAN (Right Hon. Mr. Graham): We can put this down in our minds, then, Mr. Biggar: A considerable saving has been made where there was co-operation by train-pooling. That is important to know as we go along. That is clear from the figures.

Mr. BAGGAR: Yes. Rather more than four-fifths of the savings have been in pooling passenger arrangements.

Hon. Mr. COTE: Was that accomplished before or after we got rid of the trustees of the Canadian National?

Mr. BIGGAR: Those two reports are Nos. 4 and 28. No. 4 is dated March 7, 1933, No. 28 January, 1934.

Hon. Mr. COTE: They are both before we got rid of the trustees.

Mr. BIGGAR: Yes, they are both before that time.

Hon. Mr. DANDURAND: They started working upon co-operative arrangements even before the Act was passed.

Mr. BIGGAR: In anticipation of the Act and within three months after the Duff Report had been delivered.

Hon. Mr. DANDURAND: The Senate the year before had been pressing them to do that.

The CHAIRMAN (Hon. Mr. Beaubien): It is true the abandonment of lines does not enter largely into the amount of savings?

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): The abandonment of lines has been very small.

Mr. BIGGAR: Those are abandonments that were done pursuant to the statute. They are co-operative arrangements through this organization. But there were other abandonments quite independently of that made by each railway. I have a list of those from the railways.

The CHAIRMAN (Hon. Mr. Beaubien): That is not on competing lines?

Mr. BIGGAR: It is abandonments they undertook to arrange quite independently of co-operation. Each of them decided to seek abandonments quite independently of this co-operative organization.

Hon. Mr. HORSEY: Without any conference about the matter?

Mr. BIGGAR: So far as I know without any conference. It was an internal arrangement. I have a statement of that from each of the railways. Taking the Canadian National statement, there were fifteen applications granted, eleven refused, and five are still pending.

The CHAIRMAN (Right Hon. Mr. Graham): Refused by whom?

Mr. BIGGAR: By the Board of Railway Commissioners. The five are undisposed of by that board. I have that statement, which I will ask the secretary to mark as Exhibit No. 30.

(Canadian National Railways statement of applications for abandonment of lines, 1935 to date, filed and marked Exhibit No. 30.)

Mr. BIGGAR: I can give you the effect of that statement. The abandonments that were approved by the Railway Commission amount to 339.3 miles, the estimated saving being \$286,000, or \$842 a mile. The refused applications related to the abandonment of 309.1 miles, and the estimated savings were \$196,000—

Hon. Mr. PARENT: Was the application made by the C.P.R. or the Canadian National?

Mr. BIGGAR: This is all Canadian National I am speaking about now.

Hon. Mr. CALDER: Made voluntarily?

Mr. BIGGAR: Yes; this is independently of co-operation. Of the applications that were refused, amounting to 309.1 miles, the estimated savings were \$196,000, which works out at \$635 per mile. In the five undisposed of applications there is concerned 84.5 miles, and the total savings are estimated at \$50,000, which works out at \$590 a mile.

Hon. Mr. CALDER: Mr. Biggar, can you give us an example of where an abandonment was granted and where it was refused?

Mr. BIGGAR: Yes. The list is here. I do not know which of the abandonments is the most significant. I will take the largest abandonment, Iberville-St. Hyacinthe, Que., with a mileage of 28.1 miles. The estimated saving was \$33,000, or something over \$1,000 a mile. The largest one refused was the Hawkesbury-Hurdman, Ont., line, 56.6 miles, the estimated saving being \$22,000, or something under \$500 a mile.

Hon. Mr. GORDON: That saving is per year?

Mr. BIGGAR: Yes, the annual saving. The corresponding information with regard to the Canadian Pacific independent abandonments contains no figures in regard to estimated annual savings. I asked for them, but did not get them. However, there are only six applications altogether. Of these, four were granted, one in full, one in part, and the last was refused. The abandonments granted represented about 62 miles; there was an abandonment of 29.1 miles, of which 15 miles was granted, and there was an abandonment refused of 33.1 miles between Lardau and Gerrard, B.C. The longest piece of the abandonment lines granted was from Shore Line Junction to Bonney River, N.B., amounting to 28.8 miles.

This Canadian Pacific statement will be Exhibit No. 31.

(Canadian Pacific statement of applications for abandonment of lines, 1935 to date, filed and marked Exhibit No. 31.)

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Biggar, we have no figures of the estimated savings?

Mr. BIGGAR: No. I did ask for them. Probably they will be available. There is some difficulty in making calculations, as they keep their books in a different way.

Now, I think that is all I can usefully do at the moment. We could go on and ask Mr. Fairweather to give evidence, if the committee approve.

The CHAIRMAN (Right Hon. Mr. Graham): What does the committee say? Have we everything we wish for now?

Right Hon. Mr. MEIGHEN: Colonel Biggar, can you give us a suggestion as to how to order our questioning, or your questioning, so that we will not be returning and returning again and getting nowhere? Could we take, for example, the cases where the joint co-operative committee have agreed and still nothing has been done? Would it be well to take those first and see why nothing has been done?

Mr. BIGGAR: Quite.

Right Hon. Mr. MEIGHEN: I draw attention, for example, to a whole string of cases favourably reported upon in which nothing has been done. Take, for example, the third list in the summary.

Mr. BIGGAR: Yes, I have a note of those.

Right Hon. Mr. MEIGHEN: No. 27. There is no explanation given. It just says, "Not yet in effect." And the same words apply to, I would judge—

Hon. Mr. HAIG: Fourteen.

Mr. BIGGAR: There are a number of them on which reports were made in 1933 and 1934, but with respect to which the agreements have not yet been settled. The saving is therefore not in effect.

Right Hon. Mr. MEIGHEN: It does not say the agreements have not been settled. It just says, "Not yet in effect."

Hon. Mr. DANDURAND: The refusal of the Railway Commission to sanction some abandonments may give us an inkling of the policy of the Railway Board on this matter which it would be interesting for the committee to have.

Mr. BIGGAR: Yes. There are no reasons given. I made inquiry about that. There are no reasons by the Board of Railway Commissioners. They just refuse. I got a copy of one of the orders.

Hon. Mr. HAIG: Would it be possible for Mr. Fairweather or Mr. Armstrong to give us some of these cases on which they have both reported favourably and which were refused?

Mr. BIGGAR: There have been no refusals by the Board of Railway Commissioners. They approve any abandonment that has been agreed upon.

Hon. Mr. HAIG: Then the ones refused were cases where one side or the other refused to consent.

Mr. BIGGAR: No. They were applications that were made by one railway or the other quite independently of any question of co-operation. The abandonment would have been applied for even if that railway had been the only railway in Canada.

Hon. Mr. HAIG: Could not Mr. Fairweather or Mr. Armstrong give us some of those illustrations?

Mr. BIGGAR: Of the co-operative ones?

Hon. Mr. HAIG: No, the non-co-operative ones.

Mr. BIGGAR: Oh, yes.

Hon. Mr. HAIG: We may feel that the Railway Commission was wrong in its stand.

The CHAIRMAN (Right Hon. Mr. Graham): In fairness to the Board of Railway Commissioners, is it not right to remember that that board is controlled by a statute and by the law, and that perhaps under that statute and under their duties these applications were not entitled to be granted?

Hon. Mr. HAIG: We might like to change the law.

The CHAIRMAN (Right Hon. Mr. Graham): But we should not condemn the Board of Railway Commissioners if they were carrying out the law.

Hon. Mr. HAIG: We are not. They have refused a voluntary application by the C.P.R. or by the Canadian National.

Hon. Mr. MORAUD: But they were opposed by some part of the public.

Hon. Mr. HAIG: At the same time, we are here to find out what the bases of all these things were.

The CHAIRMAN (Right Hon. Mr. Graham): It would be the duty of the Board of Railway Commissioners—I am only speaking for that body because it is not here—to carry out the law and make a finding under the law as if co-operation had not been discussed.

Hon. Mr. CALDER: Was there any case where the two railway companies agreed but in which the Board, on account of intervention by the public, refused to grant the application?

Mr. BIGGAR: I understand there were none at all.

The CHAIRMAN (Hon. Mr. Beaubien): One thing strikes me. Out of all the projects of co-operation twenty-four were rejected, turned down.

Mr. BIGGAR: There is no economy.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Fairweather is going to be here, and he said years ago that there was a possible economy through co-operation of \$44,000,000.

Mr. BIGGAR: Not that I have seen, senator. I mean the figure is higher than anything I have seen.

The CHAIRMAN (Hon. Mr. Beaubien): I do not think I am mistaken. What, in the bulk, would represent possible economies in the twenty-four that have been turned down? You see, out of the \$44,000,000—and I think I am fairly right, \$42,000,000 or \$44,000,000, Mr. Fairweather said at the time—it may be that half has already been turned down as impracticable or impossible. Could we get the bulk, roughly speaking?

Mr. BIGGAR: As a matter of fact, those cases you are speaking of are cases in which there was an agreement by the technical representatives of both railways that there would be no economy at all. If you give me one I can tell you how the report was expressed.

The CHAIRMAN (Hon. Mr. Beaubien): Oh, I have seen the reports, because you have them in brief in the schedule here.

Mr. BIGGAR: I have them more fully here—not much, I agree. Would you tell me which one?

The CHAIRMAN (Hon. Mr. Beaubien): You have them all now under those twenty-four items.

Mr. BIGGAR: Take any particular item.

Hon. Mr. MURDOCK: Take case No. 58. It is the most important in the whole list.

The CHAIRMAN (Hon. Mr. Beaubien): Just a second. If any one of those items was discussed it was certainly discussed because either one railway or the other thought there was some reason for discussing it. Otherwise it would not be entertained. Therefore there was in someone's mind the idea that some economy could be realized.

Mr. BIGGAR: I imagine so.

The CHAIRMAN (Hon. Mr. Beaubien): But every one of such items may form part of the \$44,000,000 or the \$75,000,000 that we thought it was possible to save by complete co-operation between the railways. Therefore, coming down to reality, it is very important for us to see that either one railway or the other, after conferring and studying the question, has turned down those items as effecting no economy at all. I think it would be very important for the committee to know that, because we have always had before us the admission by both railways that it is possible to economize to the extent of \$44,000,000 or \$75,000,000.

Hon. Mr. DANDURAND: Theory and practice are very different.

The CHAIRMAN (Hon. Mr. Beaubien): It is very important that the committee should be enlightened on the matter.

Hon. Mr. HAIG: Why not read No. 58?

Hon. Mr. MURDOCK: It will give you all that information.

Hon. Mr. HAIG: It says:—

Extension of pool passenger train services under Reports Nos. 4 and 28 to include west of Toronto, Montreal-Winnipeg, Toronto-Winnipeg and west of Winnipeg not found to be economically feasible.

The CHAIRMAN (Hon. Mr. Beaubien): I do not know what that represents, but it is important for us to know.

Hon. Mr. MURDOCK: That is the biggest item there. You ought to be able to develop the whole question under that one item, I should think.

The CHAIRMAN (Right Hon. Mr. Graham): When an application comes before the Board of Railway Commissioners—I am sticking to that—the fact that a saving can be made may not be conclusive evidence that the line ought to be closed. There is another element that is probably of greater importance than that. The question is: Will the saving adequately provide for what the public loses by the abandonment of that line? The Board of Railway Commissioners have to weigh the whole question and see how the greatest good would be derived. It might be that a good case could be made out by the railways for economy but that is would not be a good case for the public; and under the statute the Board of Railway Commissioners would be obliged to find against it.

Hon. Mr. GORDON: Do you not think it would be enlightening for the committee to have the reasons as to why they did not permit the abandonment of the lines they turned down?

Hon. Mr. MURDOCK: Do not we all know that the public interest is the dominating factor in determining upon the abandonment of a railway line?

Hon. Mr. GORDON: Nevertheless it would be enlightening to have the reasons of the Commission.

Hon. Mr. DANDURAND: We may have the Chairman of the Board before us.

The CHAIRMAN (Right Hon. Mr. Graham): The Board of Railway Commissioners is to a large extent a court. It will give its reason in the finding of doing what it has done, and I imagine you can get that reason.

Hon. Mr. HAIG: Mr. Biggar says no.

Mr. BIGGAR: I understand not.

Hon. Mr. MURDOCK: They do not have to give the reason.

The CHAIRMAN (Right Hon. Mr. Graham): When the reasons are self-evident, perhaps they do not have to.

Hon. Mr. HAIG: With Senator Gordon, I press for the reason why these abandonments approved of were refused by the Board of Railway Commissioners. Let the public know that the Railway Commission did not approve because the public objected; then the public cannot say that if the railways would get together they could abandon. Let us know these facts so that the public will understand the situation.

I am trying to find out why the Commission refused the abandonments. I am being blocked, or attempted to be blocked because the Railway Commission is a court and under a statute. I say that we must find out why the abandonments were refused by the Railway Commission. The Board has given no reason, as a court would; therefore the only thing we can do is to call the officials and ask them with due humility to be kind enough to give us the reasons why the road from Gravelbourg to Moose Jaw was not abandoned. Then the public will know that we cannot get the abandonments because the public will not allow them.

Hon. Mr. PARENT: Do you maintain, Mr. Biggar, that the Board does not give reasons at all?

Mr. BIGGAR: So I am told.

Hon. Mr. PARENT: That would be very extraordinary. Surely when they render a judgment they give reasons for judgment. The order itself may not give them.

Mr. BIGGAR: We could easily find out. I asked for some statement of the reasons, and I was told there was none.

Hon. Mr. HAIG: Right Hon. Mr. Meighen was suggesting how we should proceed. When Mr. Fairweather and Mr. Armstrong go on the stand I want to ask them about the things they suggested to the Commission and which the Commission refused, and what were their arguments for abandonment. Then, if the Commission gave no reasons for refusal, I want to see why they did not allow these lines to be abandoned.

Hon. Mr. GORDON: Mr. Chairman, a few minutes ago someone said something about a line in British Columbia which a railway company had asked to be permitted to abandon but the permission was not given. Sitting beside me is Mr. Neal of the Canadian Pacific Railway, and he can state the reason which was given why that road could not be abandoned. Would you like to hear him?

Right Hon. Mr. MEIGHEN: There is no question that we have a right to find out why applications were not granted. But all I am speaking of now is the order in which we shall take up these things. I do not care in what order we proceed, but I think it would be better if we took up the projects which were agreed upon but have not been acted upon, first. I think we would make better speed that way.

The CHAIRMAN (Hon. Mr. Beaubien): I think Senator Haig and Senator Parent are quite right. Why not write and ask the Railway Commission to give their reasons, Mr. Biggar?

Mr. BIGGAR: We may find that there are reasons.

The CHAIRMAN (Hon. Mr. Beaubien): But why not write and ask them for their reasons, in every case? Then we would have them all ready when we come to them.

The CHAIRMAN (Right Hon. Mr. Graham): Senator Gordon, you made a suggestion, but I think we had better go on and not bring in any extraneous matter just now. We are trying to get going orderly, and we shall ask for information from persons who are authorized to give it to us. Now, we are going to take up projects that have been agreed upon but have not been acted upon, for some reason.

Right Hon. Mr. MEIGHEN: Or for no reason.

Mr. BIGGAR: I have been asked by Senator Dandurand and Senator Meighen to say something about the position that I personally am in. I suggested to the two leaders that all I should do, as counsel for the Committee, was to put questions to the witnesses directed to elucidate and make precise their statements, the kind of questions that might be put by a judge at a trial to a witness for the purpose of clearing up a situation. But Senator Dandurand and Senator Meighen suggest that my attitude should be rather a more searching one than that, and that I ought to regard it as my function, on behalf of the Committee, to exhaust the information in all directions and particularly in relation to the possibilities of co-operation and the alternative possibilities of unification. I think I have stated the position at it was understood?

Right Hon. Mr. MEIGHEN: Yes.

Mr. BIGGAR: I hope it was sufficiently precise.

The CHAIRMAN (Hon. Mr. Beaubien): Then, let us go ahead.

Mr. BIGGAR: I will call Mr. Fairweather.

Mr. S. W. FAIRWEATHER was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Fairweather, you would probably find it convenient to have officials whom you would like to consult, sitting behind you?—A. Yes sir, that would be convenient.

Q. Those chairs behind you are for that purpose. You are the Director of the Bureau of Economics of the Canadian National Railways, are you not?—A. Yes, sir.

Q. And you have been so for a considerable number of years?—A. Yes.

Q. How long is it since you have been occupying that position?—A. Well frankly, sir, that slipped my mind, but I think—they tell me 1929.

Q. And you have been Chairman of the Canadian National section of the Joint Co-operative Committee ever since the organization of that committee in December, 1932?—A. Yes, sir.

Q. And you are the Mr. Fairweather by whom, on behalf of the Canadian National Railways, the printed report, the joint statement, has been submitted?—A. Yes.

Q. You have heard the discussion in the Committee with regard to the subjects about to be dealt with. Can you begin, then, by dealing with those 14 projects—

Right Hon. Mr. MEIGHEN: It is 16, is it not?

By Mr. Biggar:

Q. Well, perhaps you could take the other two, projects for which agreements have been completed but which are not yet in effect, reports Nos. 34 and 35, dated November 2, 1934, and November 5, 1934, and both of which relate to abandonments. Can you tell us why those have not made any more progress towards being put into effect?—A. Well, sir, the agreements with regard to those lines have been just completed and the applications to the Board of Railway Commissioners are presently pending.

Q. I think what the Committee would really be interested in knowing is why there was an interval between 1934 and 1938 in settling those agreements?—A. Well, of course I do not know that an answer to that can be given in one word.

Q. I imagine not.—A. I think it is fair to say this, that the engineering reports upon which a decision as to the feasibility of abandoning a line are based can proceed much more rapidly than the working out of an agreement which will equitably divide burden and advantage as provided for in the Canadian National-Canadian Pacific Act. You see, gentlemen, the engineering and

[Mr. S. W. Fairweather.]

operating features are features which present themselves to operating men and to engineers and it is generally possible to reach a decision as to the feasibility of an economy. Have I made that matter plain?

Q. Not only the feasibility of the economy, but the principles upon which any burden and advantage might be divided?—A. No, sir, I reserved that. That was the first step and that can be proceeded with fairly rapidly. Well, then you were faced with this situation. You could go ahead and make that economy immediately effective and proceed later and adjust burden and advantage. And in the early stages of co-operation we did that, in one or two cases. We found out, however, that that presented an embarrassment in preparing the agreement, because after the action was done and completed it sometimes proved very difficult to get an agreement executed. And therefore the Canadian National—speaking for the Canadian National; I can only speak for them—issued instructions to the Canadian National section of the Joint Co-operative Committee that in future economies favourably reported upon would not be put into effect until agreements had been consummated. The second phase, that is the preparation of these detailed agreements—

Q. That is the agreements between the two railways?—A. Between the two railways, under the Canadian National-Canadian Pacific Act, to divide burden and advantage, involve a consideration in detail of a good many factors bearing upon the competitive position between the two railways. If one railway is giving up some line and all its potentialities it naturally desires to make sure that it is getting a reasonable compensation for it. Now, we early made up our minds that the burden and advantage in so far as it related to tangible matters, things that could be measured in dollars and cents, would ignore the investment which had been made in the properties up to that time. We did not wish to clutter the record up with anything except a division of the economy while maintaining to each property a fair division of that economy and a fair apportionment of potentialities that existed in the competitive condition. Well now, sir, that is a simple thing to say, but when you translate that into the field of investigation, it involves quite a considerable amount of detailed work. And that detailed work touches upon operating matters, it touches upon traffic matters. It has been our custom, based on experience, to set up a committee, two sub-committees, composed of representatives of each railway company. One sub-committee is charged with the duty of examining all the physical and operating features, the things that have to do with train miles, with the number of ties that are in track, and ballast and rails and things of that character; and the second sub-committee has to do with the traffic potentialities that exist in the line, measured by the past and taking into account such events of the future as you can obtain.

Q. May I interrupt? You are speaking now of what precedes the making of a report?—A. No, sir. I said, sir, that the making of the report is based on engineering and operating data, that that can be usually arrived at with a fair degree of expedition, except in very difficult and complicated cases; that it was a matter of judgment on the part of the executive as to whether they would make such projects effective before a detailed agreement was prepared, and reach an agreement subsequently, in which case you would have accelerated the economy. I wanted to make that plain, sir.

Q. I thought you would have made an inquiry as to these matters of train mileage, ties, and that sort of thing, before you made your report in some form.—A. Yes, sir. But there again, you see, an engineering committee can consider the general facts relating to a line and reach a reasonably accurate estimate as to whether the line should be abandoned or not; but it is quite a different matter when you sit down and take those economies into account for the purpose of balancing burden and advantage. That requires a much more detailed study, for you are dealing then, not with the broad principle whether the economy is there or not, but with the principle of how it is going to be divided.

Q. Yes.

By Hon. Mr. Calder:

Q. Each party is fighting to get the best advantage out of the division?—A. Each party is endeavouring to get a fair division.

By Mr. Biggar:

Q. As a matter of fact the statute says "an equitable division."—A. Yes, there is that condition in the statute, that you have to balance burden and advantage.

Q. You might tell us, then, about that change in the arrangements with regard to the making of these agreements, and why it was that in 1935 the agreements were sent to your committee to prepare instead of to this joint headquarters committee, composed of operating, engineering, law, traffic and accounting officers that is referred to in paragraph 9 of Exhibit No. 29.—A. I think the briefest explanation of that is this. There was a situation in which when this so-called headquarters committee undertook to prepare these agreements it had to be continually running to the C.N. section of the joint co-operative committee to find out in detail what our ideas were on the division of burden and advantage because on our shoulders was placed the determination of the broad principles that would govern. And these things, sir, are quite unique. They are so unique in a sense, that they are breaking new ground.

Q. Each case breaks new ground?—A. No, I would not say that. But the broad principles break new ground, and the officers who had not developed those principles were at times at a loss as to how to apply them. Consequently they came to the C.N. section—I can only speak now for the C.N.R.—to find out what we would do.

Q. You mean the C.N. section of the joint headquarters committee came to the C.N. section of the joint co-operative committee?—A. That is correct. Therefore after an experience over some time of that sort of thing, it was decided that the whole matter should be turned over to the co-operative committee to draft the agreements, with the sole idea of expediting the preparation of the agreements.

Q. So that committee had to carry out its own proposals?—A. Now, sir, I have given a partial explanation, but I would not want it inferred from what I have said that I am at all satisfied with the progress that has been made, in the rapidity with which these agreements have been prepared. When I say I am not at all satisfied, I mean this. It was not necessary to have consumed the time that appeared to have been consumed, but we were feeling our way.

At the present time there are eleven line abandonment projects which have been favourably reported upon by the joint executive and which are in the hands of committees vigorously preparing these agreements. And if I present a correct picture it is, in regard to these line abandonments, that we had a lot of new ground to break, to establish principles, and we fumbled around, let us say, for a time, but now agreements with regard to eleven of those lines are actively in hand.

By Hon. Mr. Moraud:

Q. How many miles do those abandonments represent?—A. Roughly, 50 miles of line—between 400 and 500 miles. We have completed two of those agreements, that is, the Linwood-Listowel agreement and the Middleton-Bridgetown agreement. Those are type agreements.

By Right Hon. Mr. Meighen:

Q. Are what?—A. Type agreements.

Q. Are those 34 and 35?—A. Yes.

By the Chairman (Right Hon. Mr. Graham):

Q. Do you mean as examples?—A. Yes. Let us say we had certain idea and we proceeded to apply those in a form we thought was workable. We found

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it did not work, and then we tried these two cases as test cases. We found it worked very satisfactorily and enabled us to make a great deal more rapid progress with other cases of a similar nature.

By Mr. Biggar:

Q. Those are two agreements that were actually executed last month, since the beginning of this inquiry?—A. Yes, sir. They will very shortly be presented to the board for application for abandonment.

Q. Senator Dandurand would like to know how many miles did those eleven cover?—A. I said, sir, between four and five hundred miles. If you would like the exact mileage I will put it on record.

By Right Hon. Mr. Meighen:

Q. These two were 29 miles?—A. They were test cases sir, and we deliberately chose short lines there, so we would simplify our problem.

By the Chairman (Hon. Mr. Beaubien):

Q. Thirty-seven miles in all?—A. Those two test cases, yes.

By Hon. Mr. Parent:

Q. It is a tentative effort to start it?—A. Yes; and it was highly successful, for we did a good job.

By Hon. Mr. Murdock:

Q. Why take four years to put it into effect?

By Right Hon. Mr. Meighen:

Q. To get the agreements.—A. That is what I have been trying to develop.

By Hon. Mr. Murdock:

Q. You said they were handled vigorously. Why did it take four years to accomplish?—A. I said, sir, the executive was faced with the decision either to go ahead on abandonments and prepare agreements subsequently, or to insist upon the agreements being prepared first. We tried that first method, and we found it difficult to get the agreements. Therefore we said—I can only speak for the C.N. section—"We will not make any action effective until we have an agreement signed." That explains why these things were set aside and not put into effect.

By Right Hon. Mr. Meighen:

Q. But that does not answer Senator Murdock's question. He bases it doubtless on the fact that the joint committee came to agreement that this objective was desirable in the early days of November, 1934, and they have taken until the month of March, 1938, to put into writing what they had decided to do. Why take three and a half years to do that?—A. Well, sir, frankly, I think it could have been done quicker.

Q. I think so too.

By Hon. Mr. Murdock:

Q. Did each half of the co-operative committee present proposals on the question to the other?—A. Yes.

Q. How many times?—A. Times without number almost.

Q. Could this committee get a copy of the proposals made by each half of the co-operative committee laid before us to see the progress that was made?—A. I doubt it, sir, for the reason that we made it a rule of practice in our joint co-opera-

tive committee that it would be preferable in our joint work only to record the things that we agreed upon. There is a vast record of the details of investigating projects on each side. But with regard to this matter that I understand is asked, that is, whether in our discussions of the principles which should apply to the varying proposals, how to crack the nut of equitable division of burden and advantage, I do not think there is an awful lot on the record as being *ex parte*. We were always able to come to an agreement on that feature—

By Right Hon. Mr. Meighen:

Q. After waiting a year, why did you not ask for a tribunal and get someone to do it for you?—A. I think that is a splendid suggestion, sir.

Q. It is in the Act.—A. These things here, sir, were not matters in which, in my humble opinion, the tribunal could have helped.

By Hon. Mr. Murdock:

Q. Why?—A. For the simple reason there was not a lack of agreement.

By Hon. Mr. Cote:

Q. Mr. Fairweather, could you speak definitely with regard to report 34 and explain to us what the proposal was, and what obstacles you had to face?—A. Yes, sir. Report 34 dealt with a stub line of the Canadian National Railways which extends from Middleton down in the Annapolis Valley to a point a little below Bridgetown. It was evident upon an engineering examination that there was a duplication of service on that line, and that the Canadian Pacific line, that is the Dominion Atlantic line, was capable, in our judgment, of fulfilling all the requirements of public convenience and necessity; and we reached a conclusion jointly that here was a worth-while economy.

Q. That was in November, 1934?—A. Yes, sir. We reported that to the joint executive committee. The joint executive committee approved of it on November 13, 1934. It then became one of those projects which was referred to a committee composed of headquarters officers to prepare a detailed agreement.

By Hon. Mr. Murdock:

Q. An agreement providing for what?—A. For the division of burden and advantage.

By Hon. Mr. Horsey:

Q. A joint headquarters committee?—A. Yes; not a joint co-operative committee.

Q. A special committee?—A. That was a special committee. It lay with them, and when it became evident that the machinery of the joint headquarters committee was relatively ineffective in making progress, it was turned over to the joint co-operative committee to prepare the agreement.

By Hon. Mr. Cote:

Q. Could you give me an indication of what would be the division of burden and advantage in connection with a bit of line the C.N.R. was abandoning?—A. Yes, sir, I can give you that. When the Canadian National abandoned that line it would make certain economies in operation. That is, it would not have to run trains to Bridgetown, would not have to maintain a line to Bridgetown, and would not have a station agent at Bridgetown. On the other hand, it would give up traffic that had a value to the Canadian National Railways that was, as I recall the figure, about four times the economy. Obviously, while the line should be abandoned in the public interest, it would be foolish on the

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part of the Canadian National to abandon it, because all it would be doing would be losing money, and of course there would be transferred over to the Canadian Pacific an undue advantage from the traffic that would necessarily flow by the Canadian Pacific. Is that clear, sir?

Q. Yes.—A. Now, here was a project that it was in the public interest to proceed with, because it lessened the transportation burden of the country. It seemed, therefore, that it was a desirable thing, but you had the problem of doing it in such a manner that the Canadian National and the Canadian Pacific would both obtain a fair advantage, because if the Canadian Pacific took over the duty it was only reasonable that it should get some profit, and if the Canadian National abandoned, it was only reasonable that its net position should be improved.

By Hon. Mr. Murdock:

Q. Is this a fair brief statement? If by the abandonment of this line we are going to save 25 cents out of every dollar, and we are going to lose 75 cents, they were working for three years and six months on the question of how much of that 75 cents they could recoup from the Canadian Pacific by the abandonment of the line?—A. That is correct, except that I would like to say this. If this were the only case in which such an opportunity presented itself, it would be foolish to spend any considerable amount of time on working out this detail. But when you are facing a situation in Canada in which hundreds, possibly thousands of miles of the same category would be under consideration for abandonment, it is certainly desirable to proceed to find some formula for fairly dividing burden and advantage.

By Hon. Mr. Hugessen:

Q. You were treating this as a test case?—A. This was a test case. I may frankly say that I am not satisfied with the progress made; I think it could have been done faster; but it was a job that had to be done if you were going to conform to the Act.

By Hon. Mr. Murdock:

Q. It was the principle involved.—A. It was the principle. We accumulated a great number of lines, hundreds of miles, and could have accumulated hundreds more had we pressed to the point where abandonment was indicated. Then we could have gone further and made those things effective without agreement, you see, but the executive said, "No, we will not go ahead without agreements."

Q. Until you knew what you were going to get out of them?—A. That is it.

By the Chairman (Hon. Mr. Beaubien):

Q. In other words, you were looking for a formula?—A. And we found one.

Q. And it was very important that that formula should be fair to both railways?—A. Yes, sir, and we found it.

Q. It would be very simple to tell us what the formula is.—A. It can be put simply, sir. There are two types of the formula. One formula relates to a case such as Middleton-Granville, where our own company retires from the field entirely. In that case, sir, it sells its traffic rights for half of the economy.

Q. Net economy?—A. Net economy. It sells its traffic rights for half of the net economy, so that in the net result it does not suffer a traffic loss and it retains half of the net profit. The line that takes up the service and continues it gets as near as may be half the economy. Is that plain?

Q. In other words, the company that stays in the field gets all the traffic?

A. Yes.

Q. And subtracts from that the expenses?—A. Yes.

Q. It gets the net, and gives the other company 50 per cent of the net and keeps 50 per cent. Is that right?—A. In a sense, sir. But it is double barrelled, because you have to take account of both sides. In this case the Canadian National had an economy of operation. It had to surrender half that economy, and the other company had to surrender half the net value of the traffic.

By Right Hon. Mr. Meighen:

Q. Do you not think the Chairman of the Railway Board could have resolved that after one day's hearing, away back in 1935?—A. Well, sir, that is the principle, and I am attempting to explain it.

By the Chairman (Hon. Mr. Beaubien):

Q. When was that suggested?—A. That was crystallized—that was report No. 32, of October 13, 1934.

Q. And ever since October 1934, with a formula as simple, natural and fair as that, you never could come to any agreement?—A. May I explain there again, sir, that the first attempt to make that formula apply was made through the Joint Headquarters Committee. While that formula is very easy to say in words, when you attempt to deal with such things as the diversion of traffic from one road to another you get into a field in which you have to go into cost accounting. You cannot say there was \$100,000 of traffic. You have to determine how much net was in that, and that is a matter involving a very considerable time. I know that this is a technical railway matter, and the most difficult thing you can ask a railway man is, "What is the value of \$100,000 of gross business?" Eventually, in this particular case, although the operating ratios of the two companies were very much higher, after a great deal of difficulty we solved that particular problem by assuming an operating ratio of 50 per cent, which took into account many other things.

Q. Was that carried out through the other agreements?—A. That is now established as a principle; and I want to say of the criticism made attaching to the progress of these agreements—and I frankly feel that a degree of criticism is proper—that from what has gone before, whether it was wise or unwise to spend the time on it, we are now in a position to proceed with these agreements, and we are now proceeding with them.

By Mr. Biggar:

Q. Speaking of that particular type of agreement, and looking at that report No. 32, which you say laid down the principles, is it quite simple to get the facts upon which to apply those principles?—A. That depends on what you mean by simple, sir. It involves the determination of a test period. In that test period the company whose line is going to be abandoned abstracts all the freight, passenger, telegraph and express business that it had on the line which it is proposed to abandon. It has then to divide its revenue between the System revenue and what is called inter-line revenue, because the detail figures have to be broken down to show what the System got out of it. And if you are going to determine what is a fair division or value of the traffic you have to do it.

Q. Exactly.—A. And that is a simple job; it is a clerical job. Then it is consolidated into a statement.

The next step is to have traffic officers of both lines sit down. So there is traffic problem. As a result of this abandonment you mutually agree that certain traffic is going to be lost completely. You always have to face that. You are withdrawing a service, and if you withdraw service you have to examine your traffic to see whether the other company is in a position to hold that traffic. That may be serious or it may not be serious. If it is, then it may be so serious that you do not abandon.

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By the Chairman (Right Hon. Mr. Graham):

Q. Even though it would be an economy?—A. Yes. It would not be a net economy. It does not take very much traffic to upset an economy in operation.

Q. That is what I wanted you to make clear. We were talking about it in connection with judgments of the Board of Railway Commissioners. Even though it did appear that there would be an economy in money, you might deprive some people of an accommodation that would be worth more to their part of the country than you would gain in economy.

Right Hon. Mr. MEIGHEN: That is not the point here. They have not got to the Commission yet. It is a matter of division. While I quite agree that it is a matter involving some detail work, it appeals to me very strongly that it is just a matter requiring days instead of years.

Hon. Mr. DANDURAND: But they were breaking new ground.

Right Hon. Mr. MEIGHEN: I know.

The WITNESS: May I make my position clear on this? I do not want to over-emphasize the difficulty. I frankly admit that in my opinion more time was consumed in this than might have been consumed. But I do say that during that period which may be looked upon as an unnecessary delay we did accumulate a fund of experience which will allow us to go ahead with this job of arrangement from now on much more expeditiously than we could in any other way.

I will give an illustration. We turn over to an agreement on a line out in Western Canada, and we find, I think, that they did this whole chore of work that we are talking about in a matter of certainty not over two months, which is faster, in my opinion, than it could be done by any other possible means, knowing what went before. I do submit, sir, that you should not say that because it took this length of time to do these particular things that is an indication of the speed with which these things will be done in the future. I do want to make that plain. I could give a progress report to show that whereas originally these things took a considerable time, the succeeding ones have taken an appreciably shorter time.

By Hon. Mr. Murdock:

Q. Was not the real cause of the delay the fact that your half of the co-operative committee was contending for so much and the other half of the co-operative committee was contending for something entirely different?—A. Not in this type of agreement, no, sir. In this type of arrangement, that is the type of arrangement contemplated in report 32, that is as applied to line abandonments, I can say that both sides have directed themselves to the vision of burden and advantage with a common end in view and without anything except the application of reasonable principles.

Q. Well, Mr. Fairweather, why if in October, 1934, you adopted general principles governing line abandonment, could you not, in November, 1934, put those principles into effect? Why did it take nearly four years for you to put those principles into effect?—A. Well again, sir, I will have to explain that it was not then the duty of the joint co-operative committee to do it. You see, the executives in their wisdom set up another committee, known as the headquarters committee.

By Right Hon. Mr. Meighen:

Q. You were strangled with red tape?—A. Well, sir, frankly, that was the thing. After some experience with that they turned it back to us.

By Hon. Mr. Hugessen:

Q. That was in October, 1935?—A. Yes. Even then you may say we did not make as much progress as might have been made. I quite admit it. And if you want to know the stumbling block in that particular thing, it was this. We had set down a formula in 1932, and it was a fairly simple formula in principle, but it involved in application the most detailed and exhaustive method of working it out. And we wrestled with that for quite a long while and finally we came to what, in my mind, is a very common-sense arrangement. We said, "Instead of dealing with this thing in minute detail, we will deal with it on the basis of an average operating ratio," and that made all the difference in the world in the progress.

By Hon. Mr. Calder:

Q. Mr. Fairweather, you agreed to certain principles in 1934?—A. Yes, sir.

Q. But those principles you had to abandon, in so far as operation was concerned?—A. No sir, we did not abandon any of the principles. All that we did was this. In giving effect to the principles, the method of giving effect to them was modified.

Q. You cut out a lot of details?—A. We cut out a lot of details.

By Mr. Biggar:

Q. I wonder if it would help the committee if that report that you speak of was before the committee, I mean the report No. 32 that lays down the principles. I can read it quickly to the committee and then ask you to comment upon it.

Hon. Mr. MURDOCK: I think we should have it.

Mr. BIGGAR: We can put in a copy of it afterwards.

By the Chairman (Hon. Mr. Beaubien):

Q. There is one thing, first, that I want to get clear in my mind. There has been no undue delay because of the fact that either company wanted to get the advantage of the other in dealing with such economies as you have considered in all those reports?—A. Well, sir, I was speaking of line abandonments.

Q. You are quite right, on that particular subject.—A. That is what I said, sir, and that is true, that is on line abandonments.

Q. There was no delay in that? Both companies readily agreed on a reasonable ratio of dividing whatever economies there might be in line abandonments? There was no delay in that?—A. That, I think, sir, is a correct statement.

Q. The second thing is, if I understand you rightly, that though the principle was readily agreed to, a difficulty came about in working out the formula in the different cases submitted to you? That is where you found the difficulty, is that right?—A. Yes sir.

Q. And there is where you found the reason for the delay, is that right?—A. Well, sir, I wanted to go further, sir, and say that we have largely solved that particular difficulty.

Q. I know, but we are looking for the delay. It looks very extraordinary that you should have taken four years, practically, to come to some agreement as to practical economies to be made. I think I gathered from your deposition that you feel that yourself?—A. I certainly do, sir.

Q. And therefore we want to know what the cause of the delay is. And if I understood you rightly, it was not the ambition of one company or the other to get the best of whatever agreements were discussed, but the difficulty was in working out each particular case?—A. In line abandonments there was that difficulty, and part of it was due to the setting up of the Headquarters Com-

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mittee, which in my opinion tended to accentuate the situation by creating more committees. But that was done away with and we then proceeded to direct our attention to simplifying the application of the principles, and I think we have done it reasonably well.

By Hon. Mr. Murdock:

Q. You have got 16 of those cases, out of this list, not yet in effect?—A. We have 11 line abandonments where agreements are being prepared.

By Hon. Mr. Cote:

Q. Looking at report 31, I see that refers to:

Grand Falls-Edmundston, N.B.—Abandonment of Canadian Pacific line from Cyr Diamond to Edmundston Yard, except the Theriault Division which is already under joint operation (27·6 miles) and joint use of Canadian National line under the principles of Report No. 23. Made effective July 1, 1936.

Of course, that is not quite the kind of problem that you are dealing with under report No. 32.

Q. This report was made effective on July 1, 1936, a report which no doubt embodied some principles of the formula included in the report No 23?—A. Yes sir.

Q. Now, if I look down the page to report No. 36, I see:

Bard's Hill-East Selkirk, Man.—Abandonment of Canadian National line (15·3 miles) and joint use of Canadian Pacific line (12·7 miles) under the principles of Report No. 23. Not yet in effect.

Both these reports, Nos. 31 and 36, were made in 1934, one in March, 1934, and the other in December, 1934. The first one—I suppose that was a test case, No. 31—was made effective in July, 1936, but the second one, No. 36, is not yet in effect?—A. That is quite correct.

Q. What is the explanation of things like that?—A. Well, sir, let us say this, that it comes back to this Headquarters Committee.

By Hon. Mr. Dandurand:

Q. How long was that Committee in existence?—A. I do not know exactly when it was formed, but it was ended in October, 1935.

By the Chairman (Right Hon. Mr. Graham):

Q. Had it any earmarks of being the graveyard for troublesome questions?—A. No, sir, it was not that at all. You see, the type of agreement that it tried to handle was a different type of agreement, and the progress that was being made with that committee was not considered satisfactory to the executive. Now there is no criticism attached to them at all, except that. Then the job was turned over to the Joint Co-operative Committee, and the Joint Co-operative Committee had to project themselves into that fresh field, and we picked out for a test case the other type of agreement, No. 32. Now you may ask, well, why didn't we carry on the 23's and push them at the same time. The only general explanation that I can give with regard to that is this, that we had at all times, the Joint Co-operative Committee had, a large number of the staff engaged in working up co-operative projects to a point where they can be reported and working up agreements with regard to those that are approved. And again I can only speak with regard to the Canadian National. You have at all times to make a balance between what you are going to put the executive pressure on. You see, you only have so many supervising officers. If those supervising officers are told to push line abandonments, then the current work of the railway to that extent

will tend to suffer. It is impracticable to segregate these things and attempt to carry on these studies and investigations with any except the same officers that carry on the ordinary functions of the railway. And that, sir, is part of the explanation.

Hon. Mr. SINCLAIR: Mr. Chairman, could we not have Mr. Biggar finish his examination and then allow the Committee to interject such questions as they may wish, afterwards? That was the understanding at the beginning. We should make more progress that way.

Hon. Mr. MORAUD: The witness is giving some explanations, and some senators need more explanations. I am quite willing to abide by the decision of the Chair, of course.

The CHAIRMAN (Hon. Mr. Beaubien): It seems very difficult to stop questions that happen to be put at the proper time, by members of the Committee and other senators.

Hon. Mr. SINCLAIR: If the Committee decided on that line of procedure, I think the Chair should follow it. With regard to report No. 36, I think that abandonment there is the line to Grand Beach. Now, to explain that I could ask a question right there, because I understand about the line. It ought not to be very hard to reach an agreement on that line.

The CHAIRMAN (Right Hon. Mr. Graham): I agree with my colleague (Hon. Mr. Beaubien) who has just been whispering to me. This Committee has a very difficult and important task. I think it is not unfair to say that to the majority of the Committee a lot of these railway terms, agreements and that kind of thing need explanation before we can really understand what Mr. Biggar is asking about. Now, if we have Mr. Biggar concluding his questions first, as Senator Sinclair suggests, then we should have to go all over the thing again to find out what was meant. I think that in a committee of this kind it is more practical to let senators ask any questions they like. We cannot get through in an hour or so on this; we have to take our time.

The CHAIRMAN (Hon. Mr. Beaubien): And do it thoroughly.

The CHAIRMAN (Right Hon. Mr. Graham): It is a long-term job. Shall we go on the way we have been going and try to keep it within reasonable bounds?

By Hon. Mr. Moraud:

Q. Mr. Fairweather, it is not quite clear in my mind as to what was done. You speak of the executive committee that has functioned from 1934 to 1935.—

A. The joint headquarters committee.

Q. The joint headquarters committee. But your own co-operative committee was functioning while the other one was also functioning?—A. Quite so.

Q. And studying other problems?—A. Yes.

Q. Abandonment was only one of many problems so far as economies were concerned?—A. That is correct, sir.

By Mr. Biggar:

Q. Let us come back to that group of abandonments under Report No. 32 which is dated October 13, 1934. You used the expression of the formula having been settled in 32. That was just a slip of the tongue, was it?—A. The principles are set out in Report No. 32.

Q. Right. I had better read this to the committee, and it can be marked afterwards as a separate exhibit. It is headed "Joint Co-operative Committee. It is dated October 13, 1934, and is as follows:—

[Mr. S. W. Fairweather.]

REPORT No. 32

EXECUTIVE ALLOTMENT No. 6

TRACK ABANDONMENTS AND JOINT SECTIONS

PRINCIPLES TO GOVERN THE ABANDONMENT OF DUPLICATE LINES AND
TRAIN SERVICES

In connection with certain line abandonments, especially where the line of one company does not form a part of a through route, larger and more equitably apportioned economies can be secured and equal or better service can be given the public if one company abandons its line and completely withdraws service from the territory than if the remaining line is operated as a joint section. Your committee therefore recommends that the following principles be adopted to govern the preparation of agreements for such abandonments, with the understanding that where an abandonment by one company equalizes an abandonment by the other company, the two abandonments may be paired and in regard to such pair no payment will be made by either company to the other.

Revenues

(a) The entire revenues which accrued to each of the companies prior to abandonment from all traffic originating and/or terminating at such points in the affected territory as may be agreed upon, and for such period or periods as may be agreed upon, shall be determined.

(b) A joint traffic study shall be made of the affected territory to determine as nearly as may be the traffic potentialities of each line if not abandoned, and the revenue from the traffic which will be lost to the companies and which will be diverted to other lines of each of the companies on account of the proposed abandonment.

(c) From information secured in accordance with revenue paragraphs (a) and (b), and any other pertinent information, the companies shall agree upon the equitable proportion of gross revenues to be derived from all traffic originating and/or terminating at the agreed points on the line retained which shall accrue to the company whose line is abandoned after such abandonment. The company whose line is retained shall collect all revenues from such traffic and shall pay monthly to the company whose line is abandoned the equitable proportion of such revenues agreed upon less the percentage of such revenues to be retained in accordance with expense paragraph (c).

(d) The company abandoning its line shall cease to publish rates applicable to the stations abandoned.

Expenses

(a) A joint estimate shall be made of the saving in expense which will accrue to the company whose line is abandoned, and interest on the salvage value of the line abandoned. The estimate of savings shall be based on the total expenses of the line to be abandoned together with the directly assignable out-of-pocket costs incurred elsewhere than on the line to be abandoned of handling the traffic to be diverted.

(b) A joint estimate shall be made of the additional expense which will be incurred by the company whose line is retained, in handling the traffic diverted to it. The estimate shall be based on the directly assignable additional out-of-pocket costs wherever incurred in handling the diverted traffic.

(c) From the information secured in accordance with expense paragraphs (a) and (b), and any other pertinent information, the companies shall agree upon the percentage of the share of gross revenues to be paid in accordance with revenue paragraph (c) to the company whose line is abandoned, which should be allowed by it to the company whose line is retained in order to equitably divide the net economy.

The company whose line is retained shall keep this percentage of the share of gross revenue otherwise payable to the company whose line is abandoned.

The percentage referred to in this paragraph (c) shall be the percentage which one-half of the sum of the amounts determined under expense paragraphs (a) and (b) is of the estimated annual gross revenue which would accrue to the company whose line is abandoned in accordance with revenue paragraph (c) at the same level of traffic for which the amounts in said expense paragraphs (a) and (b) are determined.

Provision for changes in conditions.

The equitable proportion determined under revenue paragraph (c) and the percentage determined under expense paragraph (c), as at the date of agreement, shall apply from year to year, except that at the request of either company in writing they may be altered by joint agreement to meet changed conditions. Any such alteration shall be made applicable commencing with the first of the year next following receipt of written notice of desire of change by either company from the other.

General.

Principles contained in Report No. 23 with respect to the terms of agreement (para. 3), determination of salvage value (para. 5), construction of connections (para. 6), maintenance and operation of connections (para. 8), liability (para. 16) to the extent necessary, and settlement of disputes (para. 17), shall also apply to the agreement made in accordance with this report.

(Report filed and marked Exhibit No. 32.)

Q. Now, with that report, No. 23 is the one that applies when one of two lines is abandoned?—A. Yes, sir.

Q. And the two railways use the retained line?—A. That is correct, sir.

Mr. BIGGAR: I think I had better hand in a copy of Report No. 23.

(Report No. 23 as to general principles governing line abandonments where the line of the continuing company is to be used jointly by the abandoning company, filed and marked Exhibit No. 33.)

I am not going to read that report to this committee, for it is much more complicated and much more difficult to understand than the one I have just read.

Hon. Mr. SINCLAIR: Will you put it on the record?

Mr. BIGGAR: Yes, sir.

Q. Yes, Mr. Fairweather?—A. May I at this time make an observation? The Canadian National section of the joint co-operative committee, appreciating the desirability of getting some more simple way that would expedite line abandonments, had at various times in contemplation setting up lines which could be said to be approximately offsets. I can say right now—and I can speak with the authority of the C.N. executive—that we would welcome an opportunity to take lines where the C.N. would withdraw from one territory and the C.P. would withdraw from another. Without this necessity of a formal agreement, we would just do it. I personally have always felt that that particular approach to the problem could be fruitful.

[Mr. S. W. Fairweather.]

By the Chairman (Right Hon. Mr. Graham):

Q. Could you do it without the approval of the Board of Railway Commissioners?—A. Oh, no. None of these things could be done without the approval of the board. But in the division of burden and advantage you might withdraw a line here in consideration of the Canadian Pacific withdrawing a line there, and you would get an automatic division, as it would not be necessary to work out this detail.

By Mr. Biggar:

Q. You mean by making a jump at the figures?—A. More or less.

Q. It would be a jump; no two lines are identical.—A. Of course, speaking as an engineer, all these things are jumps in the last analysis, and it all depends on how far you want to jump. I want to make it clear that so far as the C.N. section is concerned, we did propose to handle the thing in that way, and I think it is a fruitful suggestion.

By Hon. Mr. Moraud:

Q. And you have done it already in Quebec and Montreal?—A. No. I am talking now about line abandonments.

By Hon. Mr. Horsey:

Q. When was that suggested?—A. Very early. But we went along with the Canadian Pacific section in developing these individual agreements because it was suggested to us that the possibility of getting those balances would only exist in limited cases, and that we would ultimately be driven to this sort of thing. I did want to make that observation because, in a sense, sir, I want to tell you I feel ashamed of the complexity of No. 32 as it was read. I make that concession as being good for the soul.

By the Chairman:

Q. We are all with you.—A. But I want to say further, that when we get down into the application of the thing it is not as terrifying as it appears in that report. But I still maintain that groupings of lines might approximately be made, and the necessity of agreements dispensed with altogether.

By Hon. Mr. Hardy:

Q. Why was that proposal not put into some effect?—A. Well, after all, the C.N. section of the joint co-operative committee is only one side.

Q. That is exactly what I want to know.—A. I am simply saying that we made that proposal. We did advance the idea of swapping lines.

By Mr. Biggar:

Q. How long ago?—A. Early.

By Hon. Mr. Casgrain:

Q. How many lines have dropped out on either system?—A. Under co-operation the mileage that has been actually abandoned is 40.

Q. In five years?

By Hon. Mr. Cote:

Q. Mr. Fairweather, as a matter of fact is it not stated in Report No. 32 that lines may be exchanged? If I heard the report correctly the first paragraph states so.—A. That refers to the very point I am speaking about. The Canadian National section advanced that idea, and the Canadian Pacific agreed to incorporate it in Report No. 32 as an alternative; but unfortunately we have never been able to get application of it.

Q. You have never been able to get together?—A. Never mutually.

By Hon. Mr. Dandurand:

Q. Did you go to the length of indicating what such abandonment would be?—A. Yes.

Q. What would it be as an example?—A. I would have to look that up, sir, but I know we have made informal proposals of this line for that line.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Fairweather, you have, I understand, a group of lines ready to exchange abandonment of. Naturally, as compensation the C.P.R. would have to abandon an equal number of lines also. Could you give us an idea of the number and the importance of those exchanges that you have prepared?—A. The chief one that occurs to me—

Q. How many are there?—A. I really would not want at this moment to speak in more than general terms in regard to it. But out in Manitoba there is a situation which might be handled in that way. If you would care to have me submit a statement I will do so. I should really like to refresh my mind on something like that.

Q. Are there several of them?—A. Yes.

Q. Could you give us an idea, do they amount to a dozen, twenty, thirty?—A. It would not be thirty. It might be half a dozen lines.

By Hon. Mr. Casgrain:

Q. Did not the C.P.R. refuse to adopt your line going down to Quebec from Place Viger? You have a water grade there right down to L'Assomption, and so on?

By Hon. Mr. Haig:

Q. Mr. Fairweather, what is the difficulty on that Selkirk line? It is just a pleasure route to Grand Beach. We all thought when the road was built that it should not have been undertaken.—A. That does illustrate a situation. Between the time when that line was agreed to be abandoned and when we got around making up the agreement, the industrial development along the line had reached a point that changed the whole picture. That is something which we had to take into account. The conditions under which the line was reported did not exist in the Canadian National point of view, continue to exist.

HON. MR. DANDURAND: I have just been consulting with my right honourable friend, Senator Meighen, and I will state that when this committee adjourns at 1 o'clock it will stand adjourned until Tuesday next at 11. I must add that, however, that henceforth we will sit on Tuesday, Wednesday, and Thursday and sometimes we will sit in the afternoon, and maybe in the evening, as we will have considerable time to do so inasmuch as when the House of Commons enters upon the budget debate it will be sending us nothing and we will have very little on the Order Paper of the Senate.

I now suggest that we adjourn until Tuesday morning at 11 o'clock.

The Committee adjourned until Tuesday, May 10, at 11 a.m.

EXHIBIT No. 29

STATEMENT

As to the Activities of the Joint Co-operative Committee, one of the Committees constituted under Part II of the *Canadian National-Canadian Pacific Act*, (1933, c. 33, as amended by 1936, c. 25, s. 4).

1. For the purpose of carrying out the provisions of the *Canadian National-Canadian Pacific Act*, 1933, committees have been constituted both at headquarters and in localities particularly affected by specific proposals. The principal headquarters committee is that known as the "Joint Executive Committee," whose members are chosen from among the directors and trustees of the two railways. This memorandum deals with the functions and activities of another headquarters committee composed of technical officers drawn from the staffs of both companies. It was originally called the "Joint Technical Committee" but this name was soon superseded in favour of "Joint Co-operative Committee" by which name the Committee has since been known. The change was made because other joint technical committees to deal with special subjects were also constituted at headquarters and elsewhere. Numerous local joint committees have also been set up under the guidance of the Joint Co-operative Committee to give effect to the statute referred to.

2. This committee was constituted in December 1932 in anticipation of the enactment of the *Canadian National-Canadian Pacific Act*, 1933, which became law only on May 23, 1933. It has always consisted of six members, three from each railway. There have been changes from time to time in the personnel, ten officers of the Canadian Pacific having at some time been members and five officers of the Canadian National. Two of the present members of the Canadian National Section, Mr. S. W. Fairweather, Director of the Bureau of Economics, and Mr. C. S. Gzowski, Chief Engineer of Construction, have been members of the Committee since its inception, and Mr. Fairweather has been continuously chairman of his section. There is presently on the Canadian Pacific Section no member who has been continuously on the Committee. Mr. J. E. Armstrong, who withdrew from it only in February last, was, however, an original member and chairman of his section from 1934 until his withdrawal. He has acted in the latter capacity for the purpose of preparing material for the consideration of the Senate Committee but Mr. H. C. Grout is the present Sectional Chairman and acts as such for all other purposes. A complete list of the members of each section of the Committee from time to time with the periods during which they respectively acted is appended to this statement.

3. At the beginning of its activities the practice was for both sections of the Committee to meet together quite frequently, sometimes as often as once a week. Later, however, this practice was changed, and the course pursued was for each section of the Committee to carry on its discussions separately in the office of the railway to which the members belonged, and for the chairmen

to confer in order to arrive at joint conclusions. The whole Committee was called together only in special circumstances. While there have been differences of opinion among members of a section of the Committee in the course of the consideration of specific proposals, these differences of opinion have invariably been resolved, and upon any question dealt with jointly by both sections each has invariably been unanimous in concurring with or dissenting from the view of the other.

4. The Committee's mandate has from time to time been extended by the Joint Executive Committee to proposals for possible co-operation between the two railways pursuant to the *Canadian National-Canadian Pacific Act, 1933* under the following heads: train pooling, joint ticket offices, joint passenger and freight facilities, track abandonments, joint switching, haulage of freight, and duplicate telegraph offices. The subject of off-line ticket offices which was at one time within the Committee's field was later removed from it.

5. Specific proposals within the Committee's field may originate in the Joint Executive Committee and be referred by it to this Committee, or may originate in the Committee itself. In either case the proposal is first developed in outline by this Committee. This can sometimes be done fairly easily but is sometimes a task of extreme difficulty. The principles upon which inquiry should proceed and the character of the data required to be collected have in some cases been the subject of discussion in this Committee for very long periods. When, however, these general points have been worked out the proposal, usually with an appropriate questionnaire, is sent by the sectional chairman to the appropriate Vice-Presidents with a request that a local joint committee composed of appropriate officers of both railways familiar with the local conditions be set up. The local joint committee is instructed to collect all the relevant facts and to submit a report upon them. Because of the complexity of the details of the problem this local examination sometimes takes a considerable length of time, even when the principles applicable are reasonably simple. And when they are complex it on occasion becomes necessary to re-submit a report because the factual data it contains are insufficient.

6. When a complete report has been received from the local committee it is examined separately by the two sections of this Committee and the information it contains is considered in the light of technical points of a general rather than a local character which may be relevant. Speaking in very general terms the questions which require careful examination at this stage include (a) the extent of the over-all gross saving which would result from the adoption of the proposal to both railways together; (b) the capital expenditure, if any, necessary to achieve this saving; (c) the effect of the adoption of the suggestion on the operation of either railway, and (d) the loss or gain, if any, of traffic which is likely to ensue from its adoption. In many cases such purely technical considerations, which relate only to the railways as such, are the only consideration requiring attention, but there are also cases in which attention must be given to the possibility that the carrying out of the proposal may have an effect on public convenience; in these cases the extent of any effect of this kind also comes within the purview of the Committee.

7. If, having examined all the factors involved, the Committee concludes that on balance the proposal is one which it might be advisable to adopt if a satisfactory agreement between the two railways can be reached, it turns its attention to the principles upon which an agreement should be drawn in order equitably to divide the burden and the advantage between the two railways.

8. At a very early stage the Committee was instructed to submit a report on the general principles which might be applied to all co-operative proposals but in May, 1933 it made a report (No. 7) that any principles which could be laid down would be too vague to be useful, since the activities to be considered

by the Committee were of so varied a nature and involved so many novel and unprecedented methods that an attempt to apply any rigid set of principles would be inadvisable. The Committee expressed its confidence that appropriate principles could be applied to each proposal separately but considered that to lay down general principles would hamper rather than assist in the attainment of the object in view. Later, in November, 1933, and October, 1934, the Committee found it possible to lay down the principles which should govern agreements for the abandonment of one of two functionally duplicate lines in cases (a) in which one of the two lines was to be abandoned and the other used by both railways jointly, and (b) in which one company was to abandon the territory altogether (Reports Nos. 23 and 32). In cases other than those of line abandonments the principles which should govern the distribution of burden and advantage must be worked out afresh in the case of each type of proposal in the light of the special circumstances. At this stage the details of the distribution are not dealt with, but only the basis upon which it should be made.

9. A report is then prepared for the Joint Executive Committee containing recommendations as to the carrying out of the proposal, and if the Joint Executive Committee approves this report, the matter again comes back to this Committee to work out the details of the agreement and have this put in form by the legal departments of the two railways. For a time in 1934-35 the task of working out and settling the form and details of agreements after approval of this Committee's reports was imposed upon a committee known as the "Joint Headquarters Committee" composed of operating, engineering, law, traffic and accounting officers, but this procedure was found to be unsatisfactory and on October 8, 1935, the task was assigned to this Committee. It is a task which involves negotiations which may occupy a considerable time. In most cases, moreover, the approval of the Board of Railway Commissioners must be obtained before effect is given to the agreement as finally settled.

10. There is attached to this statement a set of charts showing the relation of this Committee to all the other committees concerned and the position with respect to the completion or otherwise of the work of each of these committees in each proposal dealt with.

11. There is also attached a list of the sixty-two reports which have been prepared from time to time by this Committee and submitted to the Joint Executive Committee. The first of these, which bears no date, was actually submitted about the end of February 1933, and the others followed from time to time, the latest (No. 38-A) having been dated on August 20th, 1937. Of these, eight reports (Nos. 5, 6, 7, 8, 10, 23, 26 and 32) were general in character; they related to the progress of the work of the Committee or the principles which might be applied to it. Twelve dealt with proposals later embodied in formal agreements which have been put into effect (Nos. 1, 2, 3, 4, 9, 12, 20, 22, 24, 25, and 31). In an additional two cases formal agreements have been completed and applications to the Board of Railway Commissioners to permit effect to be given to them are pending (Nos. 34 and 35). In fourteen more the reports have been approved and eleven agreements are in the course of preparation (Nos. 27, 30, 33, 36, 38A, 39, 40, 41, 47, 52, 55, 60, 61 and 62). In twenty-four the Committee's report was against any action (Nos. 13-19, 21, 37, 42-46, 48-51, 53, and 56-59). There were in addition two cases in which, though the Committee reported favourably, the reports were recalled owing to the emergence of factors which seriously affected the practicability of the execution of the proposal, and amended reports have not yet been re-submitted (Nos. 11 and 29).

12. These sixty-two reports represent only a small proportion of the whole work of the Committee. A great deal has been done in the consideration of specific proposals into which inquiry has been authorized by the Joint Executive Committee. Among these are included the nineteen proposals which

are now being studied by local committees either for the purpose of working out agreements or by way of investigation of the facts. The details of these are shown on the set of charts referred to above.

13. Inquiries by local joint committees into proposals, the investigation of which has been approved by the Joint Executive Committee, must be subordinated to the necessities of the daily operations of the railways. Consistent with this situation there are scores of officers and employees of the railways engaged in co-operative studies and the Joint Co-operative Committee has not deemed it desirable to overload these local committees, as such action would be in no way advantageous to the work. When some of the pending inquiries have been completed there will be no difficulty in instituting fresh ones from the material already in the hands of the Committee. In relation to proposals which have been, are being or may be dealt with, the accumulation of material is already very large. Matters of this kind cannot be dealt with without the assistance of officers engaged in the day to day operation of the railway which they represent. It is only such officers who can have the familiarity with the situation which is absolutely essential in the collection of the facts required for the formulation of dependable opinions on the feasibility of any proposed change in practice and the advantages and disadvantages which would result from it.

14. It may be useful to remark that neither section of the Joint Co-operative Committee or any member of it has shown any general inclination to disagree upon the technical aspects of making co-operative economies effective. The functions of the Joint Co-operative Committee are limited to determining the economies to be expected from and the practicability of proposals and to devising means of equitably apportioning burden and advantage.

15. Among its activities the Committee has examined dozens of separate and alternative proposals for the pooling of train service. Apart altogether from the cases in which public convenience was involved to any substantial extent it was usually found either that the technical difficulties were insurmountable or that the prospect of economies depended so greatly on the density of traffic that the prospective economy became so highly problematical as to compel the rejection of the proposal. For example, a suggestion for the pooling of passenger train services east of Winnipeg failed because, among other reasons, of the operating difficulties and the expense of providing satisfactory connections between the Canadian National and Canadian Pacific stations in Winnipeg. A proposal for the pooling of passenger train services east of Sudbury, on the other hand, while found capable of effecting a substantial saving so far as concerned physical conditions, had to be rejected partly because the prospective saving would have entirely disappeared if the gross traffic increased by more than 10% over its then density.

16. Other examples of unexpected obstacles in the way of carrying out proposals which were examined are exemplified by report No. 59. From certain points of view the creation of a joint terminal at either MacTier or South Parry had everything to recommend it, but it was found that the values of the houses erected by Canadian Pacific employees at MacTier was such that to provide compensation for these under Section 179 of the *Railway Act* on the closing of the MacTier terminal would more than wipe out the realizable savings while to have adopted MacTier as the joint terminal would have resulted in an annual loss due to the extra wage payments to Canadian National employees on account of the additional mileage they would have to run between South Parry and MacTier in working into and out of the latter terminal. Both proposals were, therefore, rejected. Report No. 29 supplies an additional case. After a favourable report had been submitted by this Committee and had been favourably acted upon by the Joint Executive Committee, it was found that the joint local committee had failed to note that three bridges

which it was proposed that both railways should use would require to be rebuilt in order to carry the joint traffic. The cost of such rebuilding would have seriously depleted savings otherwise to have been expected.

17. This memorandum has been prepared jointly with a view to setting out the generality of the work of the Joint Co-operative Committee in performing the duties with which it is charged.

S. W. FAIRWEATHER

JOHN E. ARMSTRONG

MONTREAL, Que., April 27th., 1938.

STATEMENT OF THE PERSONNEL OF THE TWO SECTIONS OF THE JOINT CO-OPERATIVE COMMITTEE FROM DECEMBER 1932 TO APRIL 1938.

CANADIAN PACIFIC SECTION:

On December 22nd, 1932, the original section was appointed as:—

Chairman—H. J. Humphrey, Assistant to the Vice-President.

J. E. Armstrong, Assistant Chief Engineer.

E. A. Leslie, Deputy Comptroller.

On February 3rd, 1933, the Chairman was changed and the Section became:—

Chairman—George Hodge, Manager, Department of Personnel.

J. E. Armstrong, Assistant Chief Engineer.

E. A. Leslie, Deputy Comptroller.

On May 10th, 1934, the Chairman and one member were changed and the Section became:—

Chairman—J. E. Armstrong, Assistant Chief Engineer.

E. A. Leslie, Deputy Comptroller.

T. C. Macnabb, Engineer of Construction, Western Lines.

On November 1st, 1934, one member was changed and the section became:—

Chairman—J. E. Armstrong, Assistant Chief Engineer.

E. A. Leslie, Deputy Comptroller.

F. A. Gaby, Assistant to the President.

On January 15th, 1935, one member was changed and the Section became:—

Chairman—J. E. Armstrong, Assistant Chief Engineer.

F. A. Gaby, Assistant to the President.

C. E. Marchell, General Auditor.

On May 20th, 1936, one member was changed and the Section became:—

Chairman—J. E. Armstrong, Assistant Chief Engineer.

C. E. Marchell, General Auditor.

H. C. Grout, Assistant to the Vice-President.

On February 8th, 1938, the Chairman and two members were changed and the Section became:—

Chairman—H. C. Grout, Assistant to the Vice-President.

R. B. Jones, Assistant Engineer.

G. C. Brooks, Chief Joint Facility Accountant.

CANADIAN NATIONAL SECTION:

On December 22nd, 1932, the original Section was appointed as:—
 Chairman—S. W. Fairweather, Director, Bureau of Economics.
 D. Crombie, Chief of Transportation.
 C. S. Gzowski, Chief Engineer, Construction.

On February 6th, 1936, one member was changed and the Section became:—
 Chairman—S. W. Fairweather, Director, Bureau of Economics.
 C. S. Gzowski, Chief Engineer, Construction.
 J. W. Wardlaw, Superintendent, Freight Train Services.

On December 22nd, 1936, one member was changed and the Section became:—
 Chairman—S. W. Fairweather, Director, Bureau of Economics.
 C. S. Gzowski, Chief Engineer, Construction.
 N. B. Walton, Chief of Transportation.

MONTREAL, Que. April 23rd, 1938.

STATEMENT OF JOINT CO-OPERATIVE COMMITTEE REPORTS SUBMITTED TO THE JOINT EXECUTIVE COMMITTEE TO DATE

Report number and date		Estimated Joint Net Annual Savings	
		Projects now in effect	Projects not yet in effect
1. No date.	Quebec, P.Q.—Amalgamation of Car Department staffs under Canadian Pacific supervision. Made effective June 16th, 1933.....	\$ 17,736	\$
2. No date.	St. John, N.B.—Amalgamation of Car Department staffs under Canadian National supervision. Made effective December 1, 1933.....	10,163	
3. No date.	Gladstone, Man.—Amalgamation of freight and passenger facilities and staffs under Canadian National supervision. Made effective July 3, 1933.....	2,800	
4. Mar. 7, 1933	Limited Pool of Passenger Train Services Ottawa-Toronto and Montreal-Toronto. Made effective April 2, 1933. Estimated joint net annual savings \$587,558. Subsequently certain Canadian National train services were reinstated reducing this saving by \$92,558.....	495,000	
4. No date.	List of lines offering opportunities for economy through abandonment or other co-operative action. Working report only.....		
6. April 15, 1933	North Bay, Ont.—Consideration of joint use of Canadian Pacific passenger station to be deferred until it can be considered in conjunction with line abandonment. Working report only. See Report No. 55.....		
7. No date.	Joint Co-operative Committee unable to set up the general principles to cover co-operative activities in connection with all the various activities of this nature. Working report only.....		
8. June 19, 1933	Progress report. Working report only.....		
9. June 22, 1933	Canadian Pacific to haul Canadian National Coast grain Calgary to Vancouver and Canadian National to haul equivalent amount of Canadian Pacific Coast grain Edmonton to Vancouver. Made effective November 13, 1933, Calgary to Kamloops and Edmonton to Kamloops.....	60,000	

STATEMENT OF JOINT CO-OPERATIVE COMMITTEE REPORTS SUBMITTED
TO THE JOINT EXECUTIVE COMMITTEE TO DATE—Continued

Report number and date		Estimated Joint Net Annual Savings	
		Projects now in effect	Projects not yet in effect
10. Aug. 11, 1933	Request for instructions in regard to the use of Montreal passenger stations by pooled trains. <i>Working report only</i>	\$	\$
11. Aug. 19, 1933	<i>Okanagan Valley, B.C.</i> —Pooling of train and boat services. This report was approved by the Joint Executive Committee and subsequently referred back for further consideration.....		
12. Sept. 18, 1933	<i>Portage la Prairie, Man.</i> —Joint switching arrangements. Made effective November 1, 1933.....	7,500	
13. Sept. 18, 1933	<i>Kelowna, B.C.</i> —No economy to be secured by joint switching.....		
14. Sept. 19, 1933	<i>Calgary, Alta.</i> —No economy to be secured by joint switching.....		
15. Sept. 18, 1933	<i>Estevan-Bienfait, Sask.</i> No economy to be secured by line abandonment (6.0 miles).....		
16. Sept. 30, 1933	<i>Estevan, Sask.</i> —No economy to be secured by joint switching.....		
17. Oct. 2, 1933	<i>Parry Sound, Ont.</i> —No economy to be secured by joint switching.....		
18. Oct. 2, 1933	<i>St. John, N.B.</i> —No economy to be secured by joint switching.....		
19. Oct. 2, 1933	<i>Toronto, Ont.</i> —No economy to be secured by joint switching at the Union Station and coach yards.....		
20. Oct. 4, 1933	<i>Fredericton, N.B.</i> —Amalgamation of passenger and freight facilities under a joint staff. Made effective March 1, 1934.....	8,895	
21. Oct. 25, 1933	<i>Chatham, Ont.</i> —No economy to be secured by joint switching.....		
22. Oct. 31, 1933	<i>Fredericton, N.B.-Vanceboro, Me.</i> —Freight traffic of the Canadian National to be handled in Canadian Pacific trains. Made effective December 1, 1933.....	9,000	
23. Nov. 21, 1933	General principles governing line abandonments where the line of the continuing company is to be used jointly by the abandoning company. <i>Working report only</i>		
24. Dec. 1, 1933	<i>Sherbrooke, P.Q.</i> —Car load and less than car load freight traffic interchanged at Sherbrooke instead of at Lennoxville. Made effective January 1, 1934.....	4,416	
25. Dec. 7, 1933	<i>St. Johns-Farnham, P.Q.</i> —Abandonment of Canadian National line between S.S. & C. Junction and Farnham (10.9 miles) and joint use of Canadian Pacific line between Iberville and Farnham (12.8 miles) under the principles of Report No. 23. Made effective April 26, 1933.....	12,347	
26. Jan. 4, 1934	<i>Linwood-Listowel, Ont.</i> —No economy to be secured by abandonment of Canadian Pacific line and joint use of Canadian National line under the principles of Report No. 23. To be reconsidered when the principles of territorial abandonments have been determined. <i>Working report only</i> . See Report No. 35.....		
27. Dec. 19, 1933	<i>Toronto, Ont.</i> —Joint switching in the Mimico-Swansea and North Toronto-Leaside switching areas. Not yet in effect.....		16,430
28. Jan. 29, 1934	Extension of limited pool of passenger train services under Report No. 4 to include <i>Quebec-Montreal</i> and further <i>Montreal-Toronto</i> passenger train services. Made effective March 11, 1934.....	477,000	

**STATEMENT OF JOINT CO-OPERATIVE COMMITTEE REPORTS SUBMITTED
TO THE JOINT EXECUTIVE COMMITTEE TO DATE—Continued**

Report number and date		Estimated Joint Net Annual Savings	
		Projects now in effect	Projects not yet in effect
29. Feb. 6, 1934	<i>Arnprior-Eganville, Ont.</i> —Abandonment of Canadian National line between Arnprior and Eganville (38.5 miles) and joint use of Canadian Pacific line between Arnprior and Eganville (41.2 miles) under the principles of Report No. 23. Subsequent approval of this report was withdrawn at the request of the Joint Co-operative Committee in order to permit of further investigations.....	\$	\$
30. Feb. 10, 1934	<i>Bala Park-Wanup, Ont.</i> —Abandonment of Canadian National line except at Parry Sound but including Key Junction to Key Harbour (141.2 miles) and joint use of Canadian Pacific line (123.4 miles) under the principles of Report No. 23. Not yet in effect.....		161,900
31. Mar. 23, 1934	<i>Grand Falls-Edmundston, N.B.</i> —Abandonment of Canadian Pacific line from Cyr Diamond to Edmundston Yard, except the Theriault Division which is already under joint operation (27.6 miles) and joint use of Canadian National line under the principles of Report No. 23. Made effective July 1, 1936.....	30,000	
32. Oct. 13, 1934	General principles governing line abandonment where the abandoning company abandons the territory of the continuing company. <i>Working report only</i>		
33. Oct. 25, 1934	<i>Red Deer-Rocky Mountain House, Alta.</i> —Abandonment of portions of Canadian National line (11.9 miles) and portions of Canadian Pacific line (53.44 miles) in this territory and joint use of retained portions of both lines under the principles of Report No. 23. Not yet in effect.....		41,376
34. Nov. 2, 1934	<i>Middleton Junction-Granville Centre, N.S.</i> —Abandonment of Canadian National line (21.84 miles) and withdrawal of Canadian National from this territory under the principles of Report No. 32. Canadian National had made an exclusive abandonment of its line Bridgetown-Granville Centre and an agreement was executed in March, 1938, for co-operative abandonment of its line between Middleton Junction and Bridgetown (13.33 miles). Not yet in effect. Under the report the estimated joint net annual savings were \$16,800. Under the agreement they are.....		15,45
35. Nov. 5, 1934	<i>Linwood-Listowel, Ont.</i> —Abandonment of Canadian Pacific line (16.5 miles) and withdrawal of Canadian Pacific from this territory under the principles of Report No. 32. An agreement was executed in March, 1938, for the abandonment of this line. Not yet in effect. Under the report the estimated joint net savings were \$13,000. Under the agreement they are.....		29,72
36. Dec. 3, 1934	<i>Byrd's Hill-East Selkirk, Man.</i> —Abandonment of Canadian National line (15.3 miles) and joint use of Canadian Pacific line (12.7 miles) under the principles of Report No. 23. Not yet in effect.....		11,18
37. Dec. 3, 1934	Extension of pool of passenger train services under Reports Nos. 4 and 28 to include Montreal-Boston services not possible under existing conditions.....		
38. Nov. 29, 1934	<i>Holmfild-Deloraine, Man.</i> —Abandonment of Canadian National line (50.5 miles) and withdrawal of Canadian National from this territory under the principles of Report No. 32, except that at Holmfild Canadian National abandon 0.9 miles of line and use jointly Canadian Pacific facilities under the principles of Report No. 23. The estimated joint net annual savings were \$26,044, but this report was later superseded by Report No. 38-A.....		

STATEMENT OF JOINT CO-OPERATIVE COMMITTEE REPORTS SUBMITTED
TO THE JOINT EXECUTIVE COMMITTEE TO DATE—*Continued*

Report number and date		Estimated Joint Net Annual Savings	
		Projects now in effect	Projects not yet in effect
38-A. Aug. 20, 1937	<i>Louise-Deloraine, Man.</i> —Abandonment of Canadian National line (56.3 miles) and withdrawal of Canadian National from this territory under the principles of Report No. 32. Not yet in effect.....		30,000
39. Jan. 25, 1935	<i>Reston, Man.—Wolseley, Sask.</i> —Abandonment of Canadian Pacific line (122.4 miles) and withdrawal of Canadian Pacific from this territory under the principles of Report No. 32. Not yet in effect.....		104,550
40. Jan. 18, 1935	<i>Langdon-Beiseker, Alta.</i> —Abandonment of Canadian National line between Beiseker and Irricana (10.0 miles) and of Canadian Pacific line between Irricana and Langdon (22.6 miles) and joint use of Canadian Pacific line between Beiseker and Irricana and of Canadian National line between Irricana and Calgary under the principles of Report No. 23. Not yet in effect.....		30,500
41. Jan. 30, 1935	<i>Aliz-Nevis, Alta.</i> —Abandonment of Canadian National line (9.5 miles) and joint use of Canadian Pacific line (9.4 miles) under the principles of Report No. 23. Not yet in effect.....		6,135
42. April 9, 1935	<i>Glen Tay-Shannonville, Ont.</i> —Abandonment of Canadian Pacific line (69.0 miles) and joint use of Canadian National line Smiths Falls-Napanee-Shannonville (84.14 miles) would result in a joint net loss.....		
43. April 17, 1935	<i>Ottawa-Pembroke, Ont.</i> —Alternate abandonments of Canadian National line with alternate routings of both Canadian National and Canadian Pacific traffic do not result in sufficient joint net annual savings to warrant any line abandonment.....		
44. April 27, 1935	<i>Young-Colonsay, Sask.</i> —Alternative abandonments of Canadian National and of Canadian Pacific lines do not result in sufficient joint net annual savings to warrant any line abandonment.....		
45. May 17, 1935	<i>Smiths Falls-Yarker, Ont.</i> —Abandonment of Canadian National line Smiths Falls-Sydenham and Harrowsmith-Yarker (51.3 miles) with joint use of Canadian Pacific line Smiths Falls-Shannonville (84.23 miles) does not result in sufficient joint net annual savings to warrant these line abandonments.....		
46. May 21, 1935	<i>Scotts Junction-North to the River, Que.</i> —Alternative Quebec Central and Canadian National line abandonments in this territory do not result in sufficient joint net annual savings to warrant any line abandonment.....		
47. June 7, 1935	<i>St. Canut-Cushing Junction, Que.</i> —Abandonment of Canadian National line (22.6 miles) and withdrawal of Canadian National from this territory under the principles of Report No. 32. Not yet in effect.....		24,000
48. July 20, 1935	<i>Federal-Smiths Falls, Ont.</i> —Abandonment of Canadian National line (33.8 miles) and joint use of Canadian Pacific line Ottawa-Smiths Falls under the principles of Report No. 23 does not result in sufficient joint net annual savings to warrant the abandonment.....		
49. July 30, 1935	<i>Saskatoon, Sask.</i> —No economy to be secured by joint switching.....		
50. Aug. 2, 1935	<i>Regina, Sask.</i> —No economy to be secured by joint switching.....		

STATEMENT OF JOINT CO-OPERATIVE COMMITTEE REPORTS SUBMITTED
TO THE JOINT EXECUTIVE COMMITTEE TO DATE—*Continued*

Report number and date		Estimated Joint Net Annual Savings	
		Projects now in effect	Projects not yet in effect
51. Sept. 20, 1935	<i>Ottawa West-Carleton Place, Ont.</i> —Abandonment of Canadian Pacific line (24.0 miles) and joint use of Canadian National lines under the principles of Report No. 23 does not result in sufficient joint net annual savings to warrant the abandonment.....	\$	\$
52. Oct. 8, 1935	<i>Ottawa, Ont.</i> —Joint use of Canadian Pacific locomotive terminal facilities at Ottawa West and of a portion of the Canadian National locomotive terminal facilities at Deep Cut and of necessary approach facilities. Not yet in effect.....		38,205
53. Oct. 4, 1935	<i>Lanoraie-Joliette or L'Epiphanie-Joliette, Que.</i> —Abandonment of Canadian Pacific line Lanoraie-Joliette (6.3 miles) or of Canadian National line Paradis-Joliette (10.6 miles) with in either case joint use of the other line under the principles of Report No. 23 would result in a joint net annual loss instead of joint net annual savings.....		
54. Nov. 12, 1935	<i>Belair-Lachevrotiere, Que.</i> —Several alternative Canadian Pacific and Canadian National line abandonments in this territory with joint use of the retained line under the principles of Report No. 23 do not result in sufficient joint net annual savings to warrant any one of them. Others cannot be considered as Canadian National has certain exclusive line abandonments in this territory under consideration.....		
55. Nov. 27, 1935	<i>North Bay-Yellek, Ont.</i> —Abandonment of Canadian National line (7.9 miles) and joint use of Canadian Pacific line (9.0 miles) with joint use of Canadian Pacific North Bay passenger station, all under the principles of Report No. 23. Not yet in effect.....		37,200
56. Dec. 13, 1935	<i>West Tower-Deer, Man.</i> —Abandonment of Canadian National line (23.9 miles) and joint use of Canadian Pacific line (24.3 miles) under the principles of Report No. 23 does not result in sufficient joint net annual savings to warrant the abandonment.....		
57. Dec. 16, 1935	<i>Rosburn Junction-Orrville, Man.</i> —Abandonment of Canadian National line (9.2 miles) with joint use of Canadian Pacific line under the principles of Report No. 23 does not result in sufficient joint net annual savings to warrant this abandonment.....		
58. Feb. 20, 1936	Extension of pool passenger train services under Reports Nos. 4 and 23 to include West of Toronto, Montreal-Winnipeg, Toronto-Winnipeg and West of Winnipeg not found to be economically feasible.....		
59. Feb. 5, 1936	<i>MacTier and South Parry, Ont.</i> —Consolidation of Canadian Pacific locomotive and terminal facilities at MacTier with those of the Canadian National at South Parry or vice versa found to be not economically feasible.....		
60. Apr. 14, 1936	<i>Fresniere-Shawbridge and Joliette-Montfort Junction, Que.</i> —Abandonment of 44.3 miles of Canadian National line in these territories with joint use of 46.5 miles of Canadian Pacific line under the principles of Report No. 23. Not yet in effect.....		25,040
61. June 24, 1936	<i>Dranoel-Medonte, Ont.</i> —Abandonment of Canadian Pacific line (74.1 miles), lease of Canadian Pacific line Lindsay-Bobcaygeon (16.2 miles) to the Canadian National and withdrawal of the Canadian Pacific from this territory under the principles of Report No. 32. (The Canadian Pacific has since made an exclusive abandonment of its line Lindsay-Orillia (41.3 miles) as provided for in this Report.) Co-operative portion of this abandonment not yet in effect.....		55,700

STATEMENT OF JOINT CO-OPERATIVE COMMITTEE REPORTS SUBMITTED
TO THE JOINT EXECUTIVE COMMITTEE TO DATE—*Concluded*

Report number and date		Estimated Joint Net Annual Savings	
		Projects now in effect	Projects not yet in effect
62. Aug. 6, 1936	<i>Ste. Therese-St. Eustache, Que.</i> —Abandonment of Canadian Pacific line (5.7 miles) and withdrawal of Canadian Pacific from this territory under the principles of Report No. 32. Not yet in effect.....	\$	\$
			9,400

	SUMMARY	Estimated Joint Net Annual Savings.
12	Projects in effect. (Nos. 1, 2, 3, 4, 9, 12, 20, 22, 24, 25, 28 and 31).....	\$ 1,134,857
2	Projects for which agreements have been completed but which are not yet in effect. (Nos. 34 and 35).....	45,179
14	Projects not yet in effect and for which agreements have not yet been completed. (Nos. 27, 30, 33, 36, 38-A, 39, 40, 41, 47, 52, 55, 60, 61 and 62).....	591,617
2	Projects returned for further consideration. (Nos. 11 and 29).....	
24	Projects unfavorably reported upon. (Nos. 13, 14, 15, 16, 17, 18, 19, 21, 37, 42, 43, 44, 45, 46, 48, 49, 50, 51, 53, 54, 56, 57, 58 and 59).....	
8	Working Reports. (Nos. 5, 6, 7, 8, 10, 23, 26 and 32).....	
62	Reports.....	\$ 1,771,653

Montreal, Que.,
April 21, 1938.

EXHIBIT No. 30

CANADIAN NATIONAL RAILWAYS

APPLICATIONS FOR ABANDONMENT OF LINES 1935 TO DATE

Applications Approved

	Miles	Estimated Annual Saving	Order No.	Date
*St. Leonard Jct.—Nicolet, Que...	14.7	\$23,000	53012	15- 4-36
			53417	8- 9-36
Iberville—Ste. Hyacinthe, Que...	28.1	33,000	52350	9- 9-35
Noyan Jct.—Iberville, Que...	21.9	19,000	52493	25-11-35
Rockland—Clarence Creek, Ont...	4.6	3,000	53224	12- 6-36
Tweed—Bannockburn, Ont...	19.5	14,000	52032	20- 6-35
Trenton—Brighton, Ont...	9.9	12,000	52012	7- 6-35
Ronnac—Greenburn, Ont...	41.8	26,000	52610	26-12-35
Port Perry—Cresswell, Ont...	13.1	13,000	52747	6- 2-36
Brant Co. Siding—Paris Jct., Ont...	6.0	22,000	52052	27- 6-35
Hickson—Tavistock Jct., Ont...	6.5	9,000	52254	18- 9-35
Burgessville—Woodstock, Ont...	9.2	10,000	52519	4-12-35
Simcoe Jct.—Otterville, Ont...	14.2	17,000	52185	19- 8-35
Jarvis—Port Dover, Ont...	9.0	11,000	51934	13- 5-35
Peace River Jct.—Daron Jct., Alta...	32.6	36,000	52949	30- 3-36
Foothills—Lovett, Alta...	4.6	5,000	52183	15- 8-35
Patricia Bay Jct.—Patricia Bay, B.C...	15.8	8,000	52114	31- 7-35
Stoneham—Loretteville, Que...	10.0	5,000	55343	18-12-37
Dombourg—St. Marc, Que...	22.3	20,000	55671	3- 3-38

Applications Refused

Elgin—Havelock, N.B...	26.1	13,000	52206	3- 9-35
Hampton—St. Martins, N.B...	28.8	20,000	52408	1-11-35
Victoriaville—St. Gregoire, Que...	30.4	32,000	52443	6-11-35
Ste. Hyacinthe—Bellevue Jct., Que...	31.3	32,000	52371	19-10-35
†Farnham—Frelighsburg, Que...	18.4	8,000	52425	4-11-35
St. Remi—Hemmingford, Que...	14.9	8,000	52772	11- 2-36
Hawkesbury—Hurdman, Ont...	56.6	22,000	53224	12- 6-36
Golden Lake—National Jct., Ont...	20.2	20,000	52184	9- 8-35
Port Hope—Peterborough, Ont...	28.0	20,000	52621	31-12-35
Whitby—Port Perry, Ont...	16.9	11,000	52747	6- 2-36
Two Rivers—Ravensworth, Ont...	37.5	10,000	Application withdrawn	

Applications Undisposed of

Bridgetown—Granville Centre, N.S...	7.6	4,000		
Morency Spur Branch, Que...	6.2	3,000		
Farnham—Frelighsburg, Que...	18.4	8,000		
Simcoe—Port Rowan, Ont...	16.9	10,000		
Twin City—Mackies, Ont...	35.4	25,000		

*The Canadian National was ordered to operate the same service to Nicolet as exists at present but routed via Aston Jct. and St. Gregoire. This had the effect of reducing the probable annual saving by \$14,000.

†This is a re-application for the abandonment refused 4-11-35.

EXHIBIT No. 31

CANADIAN PACIFIC RAILWAY

APPLICATION FOR ABANDONMENT OF LINES 1935 TO DATE

Applications Approved

	Miles	Order No.	Date
Shore Line Junction—Bonney River, N.B.	28.8	52453	8-11-35
Part Stobie Branch—Blezard Mine, Ont.	3.42	52444	7-11-35
O'Donnell—Turbine, Ont.	16.4	53415	8- 9-36
West End—Archibald, B.C.	17.4	52310	27- 9-35
		52476	21-12-35

Applications Approved in Part

	Miles	Order No.	Date
International Boundary—Eastman, P.Q.	29.1	52622	15-05 miles 31-12-35

Applications Refused

Lardau—Gerrard, B.C.	33.1	52366	15-10-35
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EXHIBIT No. 32

CANADIAN NATIONAL RAILWAY COMPANY—CANADIAN PACIFIC RAILWAY COMPANY
JOINT CO-OPERATIVE COMMITTEE

To the President, Canadian National Railway Co.

To the Chairman and President, Canadian Pacific Railway Co.

REPORT No. 32

EXECUTIVE ALLOTMENT No. 6

TRACK ABANDONMENTS AND JOINT SECTIONS

PRINCIPLES TO GOVERN THE ABANDONMENT OF DUPLICATE LINES AND TRAIN SERVICES

In connection with certain line abandonments, especially where the line of one company does not form a part of a through route, larger and more equitably apportioned economies can be secured and equal or better service can be given the public if one company abandons its line and completely withdraws service from the territory than if the remaining line is operated as a joint section. Your Committee therefore recommends that the following principles be adopted to govern the preparation of agreements for such abandonments, with the understanding that where an abandonment by one company equalizes an abandonment by the other company, the two abandonments may be paired and in regard to such pair no payment will be made by either company to the other.

Revenues

- (a) The entire revenues which accrued to each of the companies prior to abandonment from all traffic originating and/or terminating at such points in the affected territory as may be agreed upon, and for such period or periods as may be agreed upon, shall be determined.
- (b) A joint traffic study shall be made of the affected territory to determine as nearly as may be the traffic potentialities of each line if not abandoned, and the revenue from the traffic which will be lost to the companies and which will be diverted to other lines of each of the companies on account of the proposed abandonment.
- (c) From information secured in accordance with revenue paragraphs (a) and (b), and any other pertinent information, the companies shall agree upon the equitable proportion of gross revenues to be derived from all traffic originating and/or terminating at the agreed points on the line retained which shall accrue to the company whose line is abandoned after such abandonment. The company whose line is retained shall collect all revenues from such traffic and shall pay monthly to the company whose line is abandoned the equitable proportion of such revenues agreed upon less the percentage of such revenues to be retained in accordance with expense paragraph (c).
- (d) The company abandoning its line shall cease to publish rates applicable to the stations abandoned.

Expenses

- (a) A joint estimate shall be made of the saving in expense which will accrue to the company whose line is abandoned, and interest on the salvage value of the line abandoned. The estimate of savings shall be based on the total expenses of the line to be abandoned together with the directly assignable out-of-pocket costs incurred elsewhere than on the line to be abandoned of handling the traffic to be diverted.

- (b) A joint estimate shall be made of the additional expense which will be incurred by the company whose line is retained, in handling the traffic diverted to it. The estimate shall be based on the directly assignable additional out-of-pocket costs wherever incurred in handling the diverted traffic.
- (c) From the information secured in accordance with expense paragraph (a) and (b), and any other pertinent information, the companies shall agree upon the percentage of the share of gross revenues to be paid in accordance with revenue paragraph (c) to the company whose line is abandoned, which should be allowed by it to the company whose line is retained in order to equitably divide the net economy.

The company whose line is retained shall keep this percentage of the share of gross revenue otherwise payable to the company whose line is abandoned.

The percentage referred to in this paragraph (c) shall be the percentage which one-half of the sum of the amounts determined under expense paragraphs (a) and (b) is of the estimated annual gross revenue which would accrue to the company whose line is abandoned in accordance with revenue paragraph (c) at the same level of traffic for which the amounts in said expense paragraph (a) and (b) are determined.

Provision for Changes in Conditions

The equitable proportion determined under revenue paragraph (c) and the percentage determined under expense paragraph (c), as at the date of agreement, shall apply from year to year, except that at the request of either company in writing they may be altered by joint agreement to meet changing conditions. Any such alteration shall be made applicable commencing with the first of the year next following receipt of written notice of desire of change by either company from the other.

General

Principles contained in Report No. 23 with respect to the term of agreement (para. 3), determination of salvage value (para. 5), construction of connections (para. 6), maintenance and operation of connections (para. 8), liability (para. 16) to the extent necessary, and settlement of disputes (para. 17), shall also apply to the agreements made in accordance with this report.

For ready reference a copy of the paragraphs referred to, signed for identification, is attached.

(Sgnd.) S. W. FAIRWEATHER, *Chairman*,
Canadian National Section.

(Sgnd.) JOHN E. ARMSTRONG, *Chairman*,
Canadian Pacific Section.

MONTREAL, QUE.,
October 13, 1934.

EXHIBIT No. 33

CANADIAN NATIONAL RAILWAY COMPANY—CANADIAN PACIFIC RAILWAY COMPANY
JOINT CO-OPERATIVE COMMITTEE

REPORT No. 23

*To the Acting President,
Canadian National Railway Co.*

*To the Chairman and President,
Canadian Pacific Railway Company.*

EXECUTIVE ALLOTMENT No. 6

TRACK ABANDONMENTS

GENERAL PRINCIPLES

Further study by your Committee indicates that the following general principles should govern in preparing agreements providing for the use by one railway of the line of the other railway in cases of abandonment of functionally duplicate lines:—

1. The basic conception underlying the agreement is that the Company whose line is to be retained and used jointly shall be compensated for the additional expenses incurred by reason of the joint use, that the net savings resulting from the abandonment shall be equally divided between the two companies, and that such disturbance in traffic relationships of the two railways as may result from the abandonment and from the joint use of the line which is retained shall be adjusted so that neither party will suffer an enforced disadvantage.
2. With regard to the joint use of the line retained, the company whose line is abandoned shall be in the position of a tenant of the company whose line is retained, the terms of the tenancy to be such as may be agreed to in accordance with the general principles herein set forth, and to provide that the tenant's potential opportunities for development will not be adversely affected because of the acceptance of the position of tenant and the abandonment of its line.
3. The tenant company shall have perpetual right of use of the line retained, but should the tenant company desire to cease to exercise the right of use, it may withdraw from the agreement upon such equitable terms as may be established at that time, based upon the principle that both companies shall be placed in the same relative position as if the tenancy had not been exercised. Similarly, should the company whose line is retained desire to cease to exercise the right of use, it may turn over its property, to the tenant, if the tenant so elects, upon such equitable terms as may be established at that time, based upon the principle that the tenant company shall pay to the company whose line is retained for facilities equivalent to those abandoned an amount equal to the net salvage value of the line abandoned and for any additional facilities it desires to retain the fair market value at that time to the end that, except for the substitution of facilities, the tenant will be in the same relative position as if the tenancy had not been exercised.
4. The principle, which has been adopted in most joint facility agreements, of charging the tenant a rental equal to one half of the interest on the capital invested in the line retained, will not be applicable in these agreements.

5. As part compensation for the tenancy, the tenant shall share equally with the company whose line is retained the net salvage resulting from the abandonment by paying to that company annually one-half of five per cent of the fair market value of such salvage. The determination of net salvage value shall be the fair market value of the abandoned lands, and/or tracks and/or facilities, together or separately, due allowance being made for the cost of salvaging. This fair market value, if it cannot be jointly agreed to, shall be established by competitive firm tenders, called for by the company owning the line to be abandoned, from the two railways and from such other interests as may desire to bid, the bids to be on the basis that the bidder undertakes to bear all of the cost of salvaging. The highest bid shall be accepted and shall determine the net salvage value, the right of the company owning the line to be abandoned to meet the highest bid being reserved. Provided that if under any legal requirements the right of way must be retained by the company abandoning its line, no salvage shall be computed for the land which must be retained.
6. The owner of the line to be abandoned shall make and own such changes and additional construction as is mutually agreed upon as necessary to bring the line to the boundary of the right of way of the line to be retained, or such other point as may be agreed upon. The owner of the line to be retained, at the expense of the tenant company, shall construct the connections and make any changes incidental thereto mutually agreed upon as necessary upon his own right of way, or to such point as may be agreed upon. The tenant company shall be allowed yearly by the owner of the line to be used jointly a credit, in reduction of amounts otherwise payable, equal to five per cent on one-half of all expenditure incurred for the purposes mentioned.
7. The tenant company shall pay to the company whose line is retained five per cent yearly upon one-half of net additional capital expenditures for additions and betterments which may be made by mutual consent to the joint lines. Disagreement, if any, as to the proportion of the cost of additions and betterments desired by one company and not by the other, which will be paid exclusively by the company desiring the additions and betterments and the proportion which will be paid by the company whose line is retained and be included as additional capital expenditures to bear interest as provided above shall be subject to arbitration, having regard to the purpose of this agreement.
8. A record shall be kept of the additional maintenance and operation expenses at the junctions, which shall be shared equally by the two companies.
9. The tenant company shall pay monthly to the company whose line is retained in regard to station expenses, other than additional station expenses at junctions, an amount which shall be determined as follows:—

The fair and reasonable average annual station expenses of the line to be abandoned shall be agreed upon.

The fair and reasonable average annual station expenses, under conditions existing prior to the joint use of the line to be retained shall be agreed upon.

The estimated additional average annual station expenses which will be incurred by reason of the joint use of the line to be retained shall be agreed upon.

The proportion, which one-half of such station expenses on the line to be abandoned plus one-half of such estimated additional station expenses to be incurred by the line to be retained, bears to the total station

expenses of the line to be retained under estimated conditions of the joint use shall be expressed as a percentage. This percentage shall be applied each month to the actual station expenses of the line used jointly.

- The percentage established as above shall be applied to the accounts from year to year but at the request of either company in order to remove any continuing inequity arising out of the application of this formula a further determination will be made to be effective at the commencement of the succeeding year to give effect to the general principles enumerated in paragraph one hereof.
10. Such current materials and supplies as may be furnished by the company whose line is retained shall be paid for upon the basis of the standard arrangement, in effect from time to time, between the two companies, unless otherwise agreed.
 11. When the company whose line is retained performs work for the tenant company, payment for such service shall be made on a User basis, subject to the proviso that such user basis shall not introduce an inequity in the division of the net economy resulting from the abandonment and joint use.
 12. An estimate shall be prepared of the train transportation expenses incurred by the tenant in moving its traffic over the line to be abandoned. A similar estimate shall be prepared for the cost incurred by the tenant in moving its traffic over the line to be jointly used. An estimate shall be made of any change in the expense of handling traffic of the company whose line is retained due to the joint use. The net advantage or disadvantage in money shall be shared equally by both companies.
 13. The tenant company shall pay monthly to the company whose line is retained, in regard to maintenance expenses other than additional maintenance expenses at junctions an amount which shall be determined as follows:—

An estimate shall be agreed upon of the fair and reasonable average annual maintenance expenses of the line to be abandoned, less the fair and reasonable average annual maintenance expenses of the new construction of the tenant line necessary to reach the boundary of the right of way, of the line to be retained or such other point as may be agreed upon.

An estimate shall be agreed upon of the fair and reasonable average annual maintenance expenses of the line to be used jointly under conditions existing prior to the joint use.

An estimate shall be agreed upon of the additional annual maintenance expenses which will be incurred on the line to be retained by reason of the joint use.

In compiling these estimates the principle that maintenance of way and structures expenses are divisible into two portions one, fixed or independent of traffic, and the other variable, dependent upon traffic, shall be recognized.

The proportion which one-half of the maintenance expenses as agreed upon of the line to be abandoned, plus one half of the additional maintenance expenses agreed upon to be incurred on the line to be retained, bears to the total estimated maintenance expenses under joint use of the line to be retained shall be expressed as a percentage.

This percentage shall be applied each month to the actual maintenance expenses of the line used jointly.

The percentage established as above shall be applied to the accounts from year to year, but at the request of either company in order to remove any continuing inequity arising out of the application of this formula, a further determination will be made to be effective at the commencement of the succeeding year, to give effect to the general principles enunciated in paragraph 1 hereof.

14. The tenant company will pay annually to the company whose line is retained one-half of any saving in taxes resulting from the abandonment of its line, together with one-half of any increased cost to the company whose line is retained in its taxes resulting from the joint use.
15. The terms upon which traffic rights shall be granted shall be mutually agreed between the parties, the tenant company having the right to elect:—
 - (a) to exercise joint and equal traffic rights with the company whose line is retained,
 - (b) to exercise limited traffic rights,
 - (c) not to exercise rights to originate or terminate traffic on the line used jointly.

In giving consideration to the terms upon which traffic rights shall be granted the relation, existing and potential of the line to be abandoned and of the line to be retained shall be considered as at the time of election, and rental charge for traffic rights shall be reached by agreement.

A record of the freight and passenger car and locomotive miles and such other information as is necessary to implement the arrangements set forth herein shall be kept by both companies and shall be subject to verification.

16. The liability for damage on the joint premises shall be in accordance with standard joint facility practice.
17. Any dispute which may arise out of the joint use which cannot be settled by the companies shall be subject to arbitration, each company to appoint an arbitrator and the two to choose a third, or the matter may be referred to the Board of Railway Commissioners.

(SGD.) S. W. FAIRWEATHER,
Chairman,

(SGD.) G. HODGE,
Chairman,

Canadian National Section.
MONTREAL, November 21st, 1934.

Canadian Pacific Section.

1938
THE SENATE OF CANADA



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 6

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESS

Mr. S. W. Fairweather, Director, Bureau of Economics
Canadian National Railways

EXHIBITS

- No. 34. Comparison of wage scale, Canadian and U.S. Railway employees.
No. 35. Statement by C.P.Ry. Co. re increase in operating expenses January 1-March 31, 1938.
No. 36. Statement by C.N.Rys. re increase in operating expenses January 1-March 31, 1938.
No. 37. Analysis of 28 co-operative proposals recommended by Joint Co-operative Committee.
No. 38. Schedule of details to accompany Joint Co-operative Committee report No. 34 re abandonment of C.N.R. line between Middleton Junction and Bridgetown, N.S.
No. 39. Schedule of details to accompany Joint Co-operative Committee report No. 35 re abandonment of C.P.R. line between Linwood and Listowel, Ontario.
No. 40. Copy of statement referred to by Mr. S. W. Fairweather, being the statement prepared by the Canadian National section of the Joint Co-operative Committee for the information of the Canadian National executive.

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, May 10, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham, and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon. Mr. Graham): Mr. Biggar has something to announce.

Mr. BIGGAR: At the last meeting of the committee two or three things were asked for that perhaps had better be referred to now. The first is about the reasons of the Railway Commission for refusing a certain number of applications for abandonments made independently by each railway. I find there were such reasons and they are available. I have the whole set of them here.

The CHAIRMAN (Right Hon. Mr. Graham): Are those the reasons why the Board of Railway Commissioners refused the applications?

Mr. BIGGAR: Yes.

The CHAIRMAN (Right Hon. Mr. Graham): I did not think the statement was well founded myself.

Mr. BIGGAR: It was a misunderstanding on my part or on the part of some of the persons with whom I communicated. I suggest that I hand copies of those reasons to the secretary of the committee so that they may be available for consultation by any member who is interested. If the committee desires I can give shortly those reasons. The reasons, taken together, would cover forty or fifty pages of print.

Hon. Mr. DANDURAND: You could give us their essence.

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): That has nothing to do with co-operation between the two railways.

Mr. BIGGAR: No.

Hon. Mr. DANDURAND: Then I should like to put this question. Mr. Chairman Beaubien says it has nothing to do with co-operation between the two railways. Were those branches with respect to which the two railways could act independently of the application of the Canadian National-Canadian Pacific Act, included in the 5,000 miles that have been in operation as being possible of abandonment?

The CHAIRMAN (Hon. Mr. Beaubien): The Duff Report states that there are between 4,000 and 5,000 miles of duplicated lines. I understand that the lines which have been abandoned by the railways were not at all duplicate lines.

Hon. Mr. DANDURAND: That is the question I am putting.

The CHAIRMAN (Hon. Mr. Beaubien): They are not.

Mr. BIGGAR: I tried to check that, and my impression is that some of them do correspond with the suggested abandonments of 1932, and some of them do not.

Hon. Mr. DANDURAND: Is there in the Duff proceedings a detailed statement either by the Canadian Pacific or the Canadian National indicating what are the lines that should be abandoned?

Mr. BIGGAR: Yes, there is a list of lines that ought to be considered for abandonment.

Hon. Mr. DANDURAND: And forming part of those 5,000 miles?

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: Surely the reasons are very, very vital to us because if we have to determine whether progress is being made by co-operation towards the elimination of unnecessary lines, we must know what principles governed the Railway Commission.

Mr. BIGGAR: Yes.

Hon. Mr. BLACK: Hear, hear. I think that is very important.

Mr. BIGGAR: I shall hand, then, to the secretary the printed document relating to that, and I will indicate shortly to the committee the nature of those reasons.

The abandonments in question are those described in Exhibit Nos. 30 and 31, which the committee has before it at page 122 of the proceedings. There are two sets of them. There are the refusals of applications by the Canadian National Railways in the middle of 1922; then there is one at the bottom which was refused on the application of the Canadian Pacific. Taking them in order they are:—

Hampton-St. Martins, 28·8 miles. The Railway Commission found that the population had decreased in the area served by the railway, but that some of them were thirty miles away from any other method of transportation; that accidents occurred to men employed, I think in the woods, that required to be handled very quickly; that the movements of the lumber and grave business needed the service, and that consequently the time was not opportune in the public interest.

Next, Victoriaville-St. Gregoire, 30·4 miles. The Commission was of opinion that they were without power to set aside an agreement for the operation of the railway which had been made with the municipality in 1858. Section 35 of the Railway Act they regarded as constituting an objection to their allowing abandonment. They thought the operation was inadequate and that less money would be lost if a more effective operation were given, and they also pointed out that from seventeen to twenty employees would lose their jobs and that that was important having regard to the then situation with respect to unemployment.

St. Hyacinthe-Bellevue Junction, 31·3 miles. There was a population of 40,000 people served by that railway. Abandonment would compel the emigration of those people. The loss might be reduced by improving the service, and the line was absolutely necessary for commercial, social and religious activities of the people.

The next is Farnham-Frelighsburg, 18·4 miles. The Deputy Assistant Commissioner, Mr. Garceau, gave the judgment. It was concurred in by Commissioners Norris and Stone, but they did not concur in all the reasons. The principal reason given by Commissioner Garceau was that the railways are a public service, were built or heavily subsidized by public moneys, and were implicitly or formally under contract to serve the public, even at a loss. There was no proof that revenues might not be improved.

The next is St. Remi-Hemmingford, 14·9 miles. The Commission held that in spite of the substantial loss, the inconvenience to the public would be of such a serious nature that for the present at least the application should be refused, and it was pointed out that twelve employees would lose their jobs

Next is Hawkesbury-Hurdman, 56.6 miles. The revenue had increased from 1933 to 1935, or, rather, the loss had diminished, notwithstanding the fact that the population had decreased. The freight was principally hay, oats and straw, and consequently the application was refused.

Next is Golden Lake-National Junction, 20.2 miles. The Commission held that a substantial number of people would be affected as they had no other transportation facilities, and the application was refused.

Port Hope-Peterborough, 28 miles. It was held that the railways had not made out their case with regard to truck competition. I think part of that application, for two or three miles, was granted, but the rest was refused.

Whitby-Port Perry, 16.9 miles. Under the order there was a reduction in the loss in 1934 by comparison with previous years, and the abandonment of the line between Cresswell and Port Perry was authorized, but not between Port Perry and Whitby. The order does not give the distance between Cresswell and Port Perry.

Next is Two Rivers-Ravensworth, 37.5 miles. The application was withdrawn on the offer of the province to rebate the corporation tax for the year, the province itself having an interest in the operation of the railway.

Hon. Mr. COPP: What province is that?

Mr. BIGGAR: That is in Ontario.

Then there is the C.P.R. from Lardau to Gerrard, B.C., 33.1 miles. The entire population served by the railway was 125 people, but it was pointed out that they had gone there in anticipation of mineral development, and it was very doubtful if any alternative means of transportation would be satisfactory, notwithstanding that the railway was expensive to operate on account of snow in winter, particularly, and that therefore it was not proper to grant the application.

Hon. Mr. GORDON: How long a line is that?

Mr. BIGGAR: Thirty-three miles.

Hon. Mr. GORDON: And only 125 people?

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: That means that under the present Railway Act we may just as well give up hope of any diminution of mileage.

Hon. Mr. BLACK: Mr. Biggar, is there any indication in the report that you have of any alternative scheme of serving these communities? I know some of them quite well, and it seems to me that buses and trucks could do the work much more cheaply.

Mr. BIGGAR: In some of them the quality of the roads and the extent to which the trucks could use the highways would be a factor. But I could not say with regard to that.

Hon. Mr. BLACK: Some of the railways might have saved money by giving a truck and bus service. I wonder if that has been considered at all.

Mr. BIGGAR: I read the judgments and I am not sure. I could not say that it was frequently done, but it may have been done in one or two cases.

Then the next point the committee wanted information about was the difference in the wage rate in Canada and in the United States.

Hon. Mr. CALDER: Before you pass to that I should like to refer to one point that has been mentioned. That is that certain people would lose their employment if the application was granted. Do you know whether the railway companies have taken any steps at all to take care of that feature of the situation?

Mr. BIGGAR: I do not know the details of that, senator, no. I understand that that sort of thing is covered, in part at least, by the agreements between the railways and the unions; but how far it has been carried out I do not know.

Hon. Mr. CALDER: We will be able to get that?

Mr. BIGGAR: We will be able to find out.

The next point the committee asked about was the difference in the rates of railway wages in Canada and in the United States. I have a memorandum from each of the railways which is, in each case, in identical terms, and which I think had better be handed in and printed. I will read it, but it is not necessary to put it in the notes.

(Comparative statement of railway wages in Canada and the United States read, filed, marked Exhibit 34.)

Hon. Mr. CÔTÉ: Mr. Biggar, have you any figures of railway wages in Canada as compared with wages for similar occupations in other lines of work?

Mr. BIGGAR: I have none in a form that can be submitted to the Committee. I have seen some information on the subject, but it would require a good deal of working over to be of use, I think.

Hon. Mr. MURDOCK: What would you mean by "similar occupations"?

Hon. Mr. CÔTÉ: For instance, take the chauffeur of a train of trucks—

Hon. Mr. MURDOCK: And compare him with an engineer?

Hon. Mr. CÔTÉ: Yes. I have not the slightest idea what the difference in wages would be. But I think that a comparison of that kind would be interesting.

Hon. Mr. BLACK: Compare the wage of a sectionman with the average wage paid to similar classes of labour.

Mr. BIGGAR: It would be a frightfully difficult thing to do. I can ask the Bureau of Statistics whether they have any information which would be useful on that point.

The CHAIRMAN (Hon. Mr. Beaubien): I think that would be very valuable.

Mr. BIGGAR: The next thing that the Committee asked about was the increase in operating expenses of the two railways for the first three months of this year, by comparison with the corresponding period of last year. I have a separate memorandum from each of the railways, which I shall hand in, and which will be marked Exhibits 35 and 36.

(Canadian Pacific Railway Company's statement in explanation of increase in operating expenses, January 1 to March 31, 1938, as compared with corresponding period in 1937, filed and marked Exhibit 35.)

(Canadian National Railways' statement in explanation of increase in operating expenses, January 1 to March 31, 1938, as compared with corresponding period in 1937, filed and marked Exhibit 36.)

Mr. BIGGAR: The Canadian Pacific Railway's memorandum says:—

At the commencement of 1937, a deduction of 10 per cent from basic rates of pay of employees was generally in effect. The deduction was reduced to 9 per cent February 1, 1937, 8 per cent April 1, 7 per cent

June 1, 6 per cent August 1, 5 per cent October 1, 4 per cent December 1, 2 per cent February 1, 1938, and entirely eliminated April 1 of this year.

Right Hon. Mr. MEIGHEN: What do those percentages apply to?

Mr. BIGGAR: To the reduction. And that has gone down gradually at the dates mentioned, February 1, April 1, June 1, August 1, October 1, December 1, February 1, 1938, and it disappeared altogether on April 1, 1938.

Hon. Mr. MURDOCK: But we must not forget that there was a 20 per cent deduction in two separate ten per cent deductions.

Hon. Mr. BLACK: Are they all restored now?

Hon. Mr. MURDOCK: No.

The CHAIRMAN (Hon. Mr. Beaubien): Only half of them restored?

Hon. Mr. HAIG: Half?

Right Hon. Mr. MEIGHEN: Is that right, that half of the deduction has been restored?

Mr. BIGGAR: I was just relying on the memorandum. It says, "At the commencement of 1937, a deduction of 10 per cent from basic rates of pay of employees was generally in effect."

Right Hon. Mr. MEIGHEN: That is, there was only 10 per cent reduction in effect then.

The CHAIRMAN (Hon. Mr. Beaubien): "Basic" rates of pay means normal rates of pay, I suppose.

Hon. Mr. BLACK: I am informed that it has all been returned.

Mr. BIGGAR: That is what I gather from the memorandum.

Hon. Mr. BLACK: Let us be clear on that. The information that I have heard repeated a number of times is that the total deductions have been restored.

Mr. BIGGAR: That is what the memorandum seems to say. I will find out if there is any difference in regard to that. The memorandum proceeds:—

The increase of \$894,000 in expenses for the first quarter of 1938 as compared with 1937 is more than accounted for by the smaller percentage deductions from basic rates of pay of employees in effect in 1938 as compared with 1937. A comparison of these deductions by months follows:—

	1938	1937	Decreased deduction
January	4%	10%	6
February	2%	9%	7
March	2%	9%	7

It is estimated that the decreased deductions added approximately \$1,200,000 to the expenses of the Company for the first three months of 1938. Had the deductions in 1938 been at the same rate as is 1937, expenses would have shown a decrease of more than \$300,000.

It has been further estimated that if the basic rates made effective April 1, last, are continued in effect for the balance of the year the total increase in expenses owing to the change in deduction will amount to approximately \$5,000,000 for the complete year.

The Canadian National Railways' statement, Exhibit 36, says:—

Explanation of increase of \$2,294,943 in operating expenses during the first three months of 1938 as compared with the corresponding period of last year's is as follows:—

Increased wage rates	\$1,752,000	
Increased prices of materials and supplies	836,000	
Increased snow removal expense	123,000	
Increase of two days in repair shop operation	350,000	\$3,061,000

Decreases

Maintenance of Way and Structures	\$162,000	
Transportation, due to increased traffic	530,000	
Miscellaneous	74,057	766,057

Net increase		\$2,294,943
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Right Hon. Mr. MEIGHEN: How much are those increased expenses greater than the increased wages?

Mr. BIGGAR: \$1,300,000.

Right Hon. Mr. MEIGHEN: Greater?

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: In the case of the Canadian Pacific they were \$300,000 less.

Mr. BIGGAR: No, I do not think that is the comparison. The Canadian Pacific say, in effect, "If we had not had to increase wages, we would have been \$300,000 better off."

Right Hon. Mr. MEIGHEN: No, the Canadian Pacific statement does not say that. It says that the increase in wages was so much and the increase in expenses was so much, less than that by \$300,000.

Mr. BIGGAR: That is the way. Had the deductions in 1938 been at the same rate as in 1937 expenses would have shown a decrease of more than \$300,000.

Right Hon. Mr. MEIGHEN: Sure. That is to say, notwithstanding an increase of wages of a million odd dollars there were only increased expenses of some \$300,000; but in the case of the Canadian National, notwithstanding an increase of wages of \$1,300,000 odd, it had increased expenses by \$1,300,000.

Mr. BIGGAR: No. They have other credits. If you made your comparison on the same basis it would really be this, I think, that if there had not been an increase in wages, there would have been notwithstanding a loss of about \$550,000.

Right Hon. Mr. MEIGHEN: Which railway?

The CHAIRMAN (Hon. Mr. Beaubien): The Canadian National?

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: They give the amounts by which increased wages add to their expenses, but they say, "Our expenses have been added to by \$1,300,000 over that."

Mr. BIGGAR: But we get certain credits.

Right Hon. Mr. MEIGHEN: I know that. But they give details of this \$1,300,000, and they make up more than the credits against them. But the result in one case is an increase of \$1,300,000 over the wages, and in the other an improvement of \$300,000 outside wages.

Mr. BIGGAR: I would have thought the fairer way to put it would be that the increase in the operating expenses of the C.P.R. represented two-thirds only of the wage increase.

Right Hon. Mr. MEIGHEN: No, the wage increase was more.

Mr. BIGGAR: Yes; the increased operating expenses were approximately two-thirds of the wages.

Right Hon. Mr. MEIGHEN: Yes.

Mr. BIGGAR: In the Canadian National—

Right Hon. Mr. MEIGHEN: That is 190 per cent.

Mr. BIGGAR: No. The difference is really \$1,752,000 compared with \$2,294,000.

Right Hon. Mr. MEIGHEN: No, no. It is upside down.

Mr. BIGGAR: I may be mistaken—

Hon. Mr. BLACK: Is not this the position? Eliminating the wage proposition, the C.P.R. would have been \$300,000 less, and the C.N.R. \$500,000 in arrears.

Right Hon. Mr. MEIGHEN: They would have been \$1,300,000.

Hon. Mr. BLACK: No.

Right Hon. Mr. MEIGHEN: We will reason it out to-morrow.

Mr. BIGGAR: Yes. You have the figures.

The CHAIRMAN (Hon. Mr. Beaubien): It is desirable that we should be very clear on this. Give us the increase in wages in both cases.

Mr. BIGGAR: In the case of the Canadian Pacific the increase is \$1,200,000; in the case of the Canadian National, \$1,752,000.

The CHAIRMAN (Hon. Mr. Beaubien): The increase for all materials, and so forth?

Mr. BIGGAR: We have no figures so far as the C.P.R. is concerned. They give us no other increases at all.

The CHAIRMAN (Hon. Mr. Beaubien): Except wage increases?

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): But the C.P.R. has saved so much outside of wages.

Mr. BIGGAR: That is all we know, that the Canadian Pacific operating expenses would have been down \$300,000 instead of up \$894,000 if they had not had to pay \$1,200,000 extra wages.

Right Hon. Mr. MEIGHEN: That is right.

The CHAIRMAN (Hon. Mr. Beaubien): Which means they saved part of their wage increase.

Hon. Mr. HAIG: How much was the saving?

Mr. BIGGAR: More than \$300,000 is the way their memorandum puts it.

Hon. Mr. CALDER: Mr. Biggar, if those two statements were made on the same basis, you would not have this difficulty?

Mr. BIGGAR: No.

Hon. Mr. CALDER: The statements are based differently.

Right Hon. Mr. MEIGHEN: No, they are not, Senator; excuse me.

Hon. Mr. CALDER: The C.N.R. statement takes in certain betterments.

Right Hon. Mr. MEIGHEN: I know; to account for the increased loss. The one had a wage increase and saved \$300,000 of that by economies; the other has a wage increase, and not only has it saved nothing but it has \$1,300,000 more loss.

Hon. Mr. CALDER: It may have.

Right Hon. Mr. MEIGHEN: No; this statement shows it.

Hon. Mr. BLACK: I think when we get those figures before us in print to-morrow it will be clear.

The CHAIRMAN (Hon. Mr. Beaubien): How much was the increase in wages on the Canadian National?

Mr. BIGGAR: \$1,752,000.

The CHAIRMAN (Hon. Mr. Beaubien): Had there been any saving made by the Canadian National to offset that, and to what extent?

Hon. Mr. HAIG: None.

The CHAIRMAN (Hon. Mr. Beaubien): Wait a moment.

Mr. BIGGAR: That is a very difficult question.

The CHAIRMAN (Hon. Mr. Beaubien): That is what we want to know.

Mr. BIGGAR: The Canadian National operating expenses have gone up not only that \$1,752,000 but an additional \$550,000.

The CHAIRMAN (Hon. Mr. Beaubien): That is it. So they saved nothing, it added \$500,000 more to their loss.

Right Hon. Mr. MEIGHEN: And you had it wrong, Colonel Biggar.

Mr. BIGGAR: It is perfectly true that the Canadian National does show that increased prices of materials and supplies, increased snow removal, and an increase of two days in repair shop operation have made a difference in addition of increase—

Right Hon. Mr. MEIGHEN: Certainly.

Mr. BIGGAR: —of \$1,300,000.

Right Hon. Mr. MEIGHEN: They give details of debits and credits and show a loss of \$1,00,000, plus the increased wages.

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: Now the Canadian Pacific do not give details of debits and credits, but the net result is a saving of \$300,000.

Mr. BIGGAR: Quite so. That is perfectly true.

Right Hon. Mr. MEIGHEN: That is what I told you in the first place.

The CHAIRMAN (Right Hon. Mr. Graham): How does this suggestion strike the committee? We shall have some person before us to tell us a lot about this thing. My own opinion is that the two statements are not made up on the same basis all the way through.

Right Hon. Mr. MEIGHEN: They are on the same basis, except that one statement gives details, and the other does not.

The CHAIRMAN (Right Hon. Mr. Graham): One of the complaints always made is that railways do not make up their reports on the same basis, as they should under the statute.

Mr. BIGGAR: The next thing is a memorandum which I have prepared, and which I thought would simplify the discussion with Mr. Fairweather on the question of the co-operative savings. It is merely an analysis of the proposal dealt with in which economies were recommended in Exhibit No. 29, the joint memorandum of the two chairmen of the joint co-operative committee. Dividing those proposals into three parts, first, those that do not involve line abandonments, those that do involve line abandonments by one railway and the joint use instead of the other railway, and the third, those that involve abandonment of one line altogether and the withdrawal of that company from that area.

The numbers of the reports in each group—I am sorry they are not printed—are, in Part I, no abandonments at all, reports Nos. 1, 2, 3, 4, 9, 12, 20, 22, 24, 27, 28 and 52. In Part II, abandonment of one line and joint use of the other reports Nos. 25, 30, 31, 33 and 36 and 40, 41, 55 and 60. In the third group abandonment wholly by one railway's withdrawal from the territory, reports Nos. 34, 35, 38A, 39, 47, 61 and 62.

I think that had better be marked as Exhibit No. 37.

(Analysis of proposals dealt with in which economies were recommended in Exhibit No. 29, filed and marked Exhibit No. 37.)

The CHAIRMAN (Hon. Mr. Beaubien): That will go into the records?

Mr. BIGGAR: Yes.

Now I am ready to go on with Mr. Fairweather. I am going to make suggestion to the committee. Suppose I announce the particular subject that the next few questions I put have to do with and indicate when I have finished with that subject. Then we can have as much discussion as may be desired. I suggest that as a way of keeping the discussion to certain points.

The CHAIRMAN (Right Hon. Mr. Graham): You won't get annoyed, Mr. Biggar, if that does not really happen?

Mr. BIGGAR: Oh, no.

Hon. Mr. HAIG: It will be all right if it can be followed.

Mr. S. W. FAIRWEATHER was recalled as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Fairweather, I have handed you a copy of that last exhibit, which I think is quite all right. It can be corrected afterwards if necessary, but in the meantime suppose we assume that it is accurate?—A. Yes.

Q. When we adjourned on Thursday you were dealing with the last of those three groups, Part III of that memorandum, were you not?—A. Yes, sir.

Q. And you will observe that the two agreements made in that group are those with respect to reports Nos. 34 and 35, the agreements having been on the 15th of January, 1938?—A. Yes, sir.

Mr. BIGGAR: Now, Mr. Chairman, I propose to ask Mr. Fairweather a few questions with regard to the remaining ones in that group.

By Mr. Biggar:

Q. In the first place, Mr. Fairweather, can you tell us by reference to these agreements how it came about that there was a difference between the amounts of the savings as calculated in the agreements and as calculated in the reports Nos. 34 and 35?—A. Well, sir, the savings as calculated in the report are in the nature of a preliminary estimate sufficiently accurate to justify a report to the executive to define policy. The savings incorporated in the agreement are the savings which were found after a much more careful and detailed examination which had to be undertaken for the purpose of the agreement.

Q. Were those two inquiries both undertaken by the same organization?—A. Yes, sir, generally speaking.

Q. Well, let us take No. 34, for example. In No. 34 report the savings were going to be \$15,454; in the agreement the savings were found to be \$16,800. It should be vice versa. There is only a difference there of \$1,400.—A. Yes.

Q. Now, I just want to get it clear. As I understand it, the position is that when that proposal came up for that particular abandonment it was considered, first, generally, in the Joint Co-operative Committee?—A. Yes, sir.

Q. And probably some questionnaire was prepared to submit to the local officers?—A. Oh, yes. The local committee had instructions as to how to proceed.

Q. Then the local committee made some inquiries and made a report to the Joint Co-operative Committee?—A. Yes.

Q. And on that report of the local committee the Joint Co-operative Committee made its report to the General Executive?—A. Yes, sir.

Q. Then the General Executive Committee having approved of that matter coming back again to the Joint Co-operative Committee after having been for a while with that Joint Headquarters Committee, the Joint Co-operative Committee proceeded to make a further inquiry of their own?—A. Well, the Joint Co-operative Committee having received back the line abandonment approved in policy, then proceeded to prepare the details of the agreement.

Q. I want to know exactly what the Joint Co-operative Committee did at that time. Did they make an inquiry themselves or did they send it back to a local committee?—A. Both.

Q. Which first?—A. First, naturally, the Joint Co-operative Committee sat down and drafted up what they thought were appropriate heads of agreement applicable to this particular line.

Q. Yes?—A. Now, they left out of those heads of agreement the figures on which the balance of burden and advantage would depend. They sent it then to two committees which were set up, one an operating committee to deal with all features of an operating nature, and the other a traffic committee to deal with all features of a traffic nature.

Q. Are these committees at headquarters?—A. Oh, no, those were local committees, because it is only a local committee that can really deal with that situation.

Q. Are both of those joint committees?—A. Yes. Now, to these committees were given instructions which the Joint Co-operative Committee set up, and these instructions told them how to proceed, and, in many cases—

Q. Never mind. I do not want to talk about more than one case at a time.—A. I am talking of reports. But in many items instructing the local committee how they were to assess burden and advantage, of course that determined a technical matter of instruction. Then when the local committee made their report—

Q. Which? The Operating Committee or the Traffic Committee?—A. Both. When the local committees made their reports, those reports were collated by the Co-operative Committee and incorporated then into the heads of agreement along with the necessary figures, and this was turned over to the Legal Committee to draft the agreement.

Q. And the two legal committees ultimately completed the agreement?—A. Yes.

Right Hon. Mr. MEIGHEN: Ultimately is good.

Hon. Mr. DANDURAND: But you have failed to draw the attention of the committee to the action of that Joint Co-operative Committee.

Mr. BIGGAR: It disappeared.

By Hon. Mr. Dandurand:

Q. It lasted how long?—A. About a year and a half.

By Mr. Biggar:

Q. From September, 1935, until January, 1938?—A. October, 1935.

Right Hon. Mr. MEIGHEN: The other committee had it before that.

By Hon. Mr. Dandurand:

Q. The Joint Headquarters Committee lasted how long?—A. About a year and a half.

Q. How was it composed?—A. The Joint Headquarters Committee was comprised, for the Canadian National Railways section, of Mr. Temple, from the Legal Department; Mr. C. B. Brown of the Engineering Department; Mr. A. C. Egan, representing the Accounting Department, and Mr. Fairbairn, representing the Traffic Department. Those were the Headquarters' representatives, but they had power to add to their number such officers as would be interested, you see. The result was that in the functioning of that committee there were usually about ten officers on the Canadian National side.

Q. And how many on the C.P.R.?—A. I presume the same number. Usually there would be the same number.

By Hon. Mr. Horsey:

Q. How did the Co-operative Committee instruct these other two committees?—A. By joint written instructions, sir.

By Mr. Biggar:

Q. I should like to make this clear. This Joint Headquarters Committee really had this report No. 34 before them only from October, 1935, until they disappeared?—A. That is right.

Q. Then the Joint Co-operative Committee worked at it until January of 1938?—A. Yes.

[Mr. S. W. Fairweather.]

Q. Then, as I understand it, that issued in a sheet, did it not, that was attached to the agreement. Perhaps you can make these calculations more intelligible by referring to that sheet by which the burden and advantage is calculated. Have you got that before you?—A. I am sorry, sir, I have not got all the agreements with me.

Q. I thought this committee ought to have some explanation of this, because the complication of it rather appals me, and I think perhaps the committee has not appreciated how complicated it is. I will just get it. You may take this and tell the committee. Can you explain that shortly? I intended to speak to you here, but could not get you this morning.—A. Well, that is the schedule to the agreement summarized, the determination of the Joint Committee of the burden and advantage, and the division of it between the two properties. It starts out by detailing the line to be abandoned, which in this case was 14.79 miles. Then there was a certain portion of that line which had to be conveyed to the Canadian Pacific to enable it to carry on business in Bridgetown. That was 1.46 miles. So the net abandonment as far as the economics is concerned was 13.33 miles. The Canadian National actually abandoned 14.79 miles, but 1.46 miles still continued in existence, so the real abandonment was 13.33 miles.

The next item was a connecting line to be built. There had to be a connection between the two lines, and that created .43 of additional mileage. So the net abandonment was only 12.9 miles.

The rest of the statement consists in determining what the traffic and operating features would look like after abandonment. Obviously the net difference between these figures would represent the net economy from the railway standpoint, and then the rest of that is the division.

Now, with regard to traffic in this particular case, there was passenger traffic—before abandonment there was really no passenger business, no appreciable passenger business being done by the Canadian National Railways out of Bridgetown.

Q. That is the reason this is quoted as nil?—A. It is \$9.45, but it is so nearly nil that you can forget it.

Q. But you did take the \$9.45?—A. We took it in, but only as a matter of form. In another line it might be highly important.

Q. The ultimate figures at which you arrive include these \$9.45?—A. Yes, but in this particular case the traffic business was not any item at all.

Now, the freight traffic amounted to about \$41,000.

Q. This is still Canadian National—A. This is still Canadian National, and there you get the reason why the Canadian National could not have abandoned that line except under an arrangement; that \$40,000 traffic would represent a greater amount of money than the economy that could be obtained from abandoning the 14 miles of line. That is the reason for co-operative action.

Telegraph business was not affected, because under this particular arrangement the Canadian National Telegraph office was going to be continued in Bridgetown.

Express was not affected because we had withdrawn our express business years before, because it did not pay.

By the Chairman (Right Hon. Mr. Graham):

Q. Was there a C.P.R. express service left?—A. They have an express agency at their station, but naturally there was no competition, and it did not have to be taken into account.

By Mr. Biggar:

Q. That is the reason why it is nil?—A. That is the reason why it is nil.

By the Chairman (Right Hon. Mr. Graham):

Q. But the people were not deprived of the use of an express office?—
A. Oh, no sir. We had abandoned our express office, just as we abandoned our passenger service, because in that particular location while we could fill the freight requirements of the community we could not fill the passenger and express requirements. Consequently we abandoned those services and the service was being performed by the Canadian Pacific line. But that all happened years before.

By Mr. Biggar:

Q. Before you leave that, let me ask you this. You have got two or three items there that I find it a little difficult to understand. You have "off-line traffic" and "on-line traffic." Just explain those terms?—A. The on-line business and the off-line earnings that are shown there—this was a step which we found necessary to take in order to determine the saving.

Q. I know, but why?—A. That ties down to this operating ratio business that I spoke about. The net value of railway traffic is a very difficult matter to determine, and we finally reached this formula. We said that we will take the earnings that accrue from this particular line and we will divide those earnings between the earnings that can be said to be applicable to the line itself and the earnings which are earned by reason of service on the balance of the system. Now, with regard to that second half, which in this case makes up—well, it makes up 95 per cent of the earnings—

Q. That is \$40,000?—A. \$39,333. We said by agreement between the parties that without further examination, without an attempt to trace the cost of the operation, we would say that it cost each company 50 per cent of the gross revenue to handle the business.

Q. Now you are getting over to the columns after abandonment, are you not?—A. I am explaining why this is divided.

Q. But you are referring to the columns that have figures after abandonment are you not?—A. You asked me why those two things were divided.

Q. But are you referring to the columns before or after abandonment?—A. I am quoting from figures before abandonment.

Q. Yes?—A. The first step in determining the net value of the business was to divide the earnings between the earnings that were applicable to the branch itself and the earnings which arose from service performed upon the rest of the system.

Q. How did you divide that? Do you mean to say that if freight arose on this particular branch, something was done by hauling it over the branch and something else by hauling it over the rest of the system?—A. Yes, and we made a mileage pro rata calculation.

Q. And you had to find out where each ton of freight that originated on the branch went to and where each ton of freight that ended on the branch came from?—A. Yes, we did that.

Q. You had to do that, had you not?—A. That was only for car-load traffic, of course.

Q. Those figures that you had, how did they show the earnings for less the car-load traffic?—A. We took test periods for four months and lumped it.

Q. And added it to the others?—A. Yes. It did not introduce any particular error.

Q. The expression "on line earnings" and "off line earnings," they mean what is earned actually on the branch itself and what is earned from traffic either originating on or ending on the branch?—A. Yes sir.

Q. I think there is another expression in the first column, is there not? there not another technical expression?—A. Well, of course, most of it is technical, sir.

[Mr. S. W. Fairweather.]

Q. It begins "passenger," and then it goes on, "Freight-On Line," then "Off Line," and then "At expense of foreign companies." What does that expression mean?—A. That is the portion of the revenue that was earned by other companies.

Q. But how does that enter into the question of abandonment of this line?—A. You see, what you have to take into account is this, that here is a certain amount of traffic on this line; it is going in a certain way at the present time, you see, via certain junction points to connections. It is not all going to Canadian National destinations; some of it is going to Canadian Pacific destinations and some to Michigan Central destinations; it is going practically all over the world. And when you turn this over to the Canadian Pacific, there has to be taken into account how that traffic would move under Canadian Pacific routing.

Q. That is why I am asking you to explain those figures?—A. Naturally that means that they might not be able to retain as much of that gross revenue—

Q. We have not come to the point yet. You are explaining the figures in that column with regard to earnings on line and off line, other roads.

By the Chairman (Right Hon. Mr. Graham):

Q. You are trying to follow that bit of traffic to see where it goes and how you get the figures.—A. Yes. And you may either gain or you may lose.

By Mr. Biggar:

Q. Then you go on and carry those same things into the columns after the proposed abandonment has been made? You do that, do you not, on that sheet?—A. We redistribute the traffic, we do it the way it actually moved by the Canadian National, and—

Q. If you do not mind, I am asking you whether you have got two columns there before abandonment?—A. Yes.

Q. And then you redistribute that into two columns after abandonment?—A. Yes.

Q. And in doing that you cannot take all the traffic that you have got in the first two columns, because there is going to be a loss of some traffic altogether?—A. Quite.

Q. And as a matter of fact there is a note there that says that you are not allowing for a certain amount of traffic that is going to be lost altogether?—A. Well, \$619.66 gross freight revenue.

Q. Now, in that transfer from before abandonment to the after abandonment columns, there is a note that says that the operating ratio has to be taken as 50 per cent. What does that mean, exactly?—A. It means that we estimate that the cost of handling the business by either company is 50 per cent of the gross revenue.

Q. And the figures in those two sets of columns are arrived at accordingly?—A. Yes.

Q. Then you carry that down towards the bottom of the page and you work out exactly what the saving to the Canadian National is, and what the gain to the Canadian Pacific is?—A. Yes.

Q. And you arrive ultimately, at the lower right-hand corner of the sheet, at an amount that I think, in that particular one, is \$53,000 capital, and it is provided that it shall be paid by the Canadian Pacific to the Canadian National at the rate of \$292 a month, it is not?—A. I do not recall that. I think you are referring to the adjustment payment to be made by the Canadian Pacific to the Canadian National, which in this particular case is \$3,506 a year.

Q. That is \$292 a month?—A. That is \$292 a month, yes.

Q. And there is a provision for amortising it by a payment of \$53,000?—A. If you desire to capitalize it, yes.

Q. There is a provision, is there not?—A. Yes.

Q. There is just one other thing about that that I would like to understand. In the first of the two columns before abandonment, most of the items are marked "nil". Would you explain why that is?—A. You are speaking of the Canadian Pacific?

Q. Yes.—A. Well, the passenger business, they have no passenger business that is affected. You see, they are not going to lose or gain any passenger business.

Q. That is the reason it is marked "Nil"? And the same thing is true of all those other items except one, is that not so?—A. Well, you see, I would like to make this explanation. This thing here is a highly technical piece of work. Frankly, I find myself at times giving answers that I am afraid are going to be misunderstood. I can generalize the things and make it plain in generalities, but when it comes down to a technical statement there are implications in it that one has to watch.

Q. It is merely a question of explaining what that written statement means.—A. I know, sir, and I sincerely want to explain the situation. But I also sincerely do not want to say something which is not correct. The reason those things are marked "Nil" in the Canadian Pacific column, is simply this. Here we had a bunch of business that was coming off the Canadian National line. Now, we went to work and found out where that stuff was moving and over what routes it moved. For instance, of this \$39,330 that we had, on this particular freight, the Canadian Pacific, because we interchanged certain business with them, had \$1,542.50. Now, obviously that had to be taken into account, because if we did not take it into account there was a benefit they were already getting from our line. Have I made that plain?

Q. Yes.—A. That is the reason why those "Nils" are down there. For instance, in passenger, as I told you, they did not get any advantage one way or the other in this particular set-up. The same with freight on line, naturally they were not getting any of the haul between Middleton and Bridgetown. Now, when we come to the off line, they were getting some business; that is, we hauled certain traffic from our line to a junction with the Canadian Pacific and they had earnings from that junction to the destination. And we had to take that into account. We did not exchange any telegraph business with them, and consequently it was not in the picture. And express, we did not have any, so there was not any possibility of the Canadian Pacific getting any business. In the same way all the way down, before abandonment, the services performed by the Canadian Pacific Railway on line, they did not perform any, but off line, in connection with this \$1,542, they did perform \$771 worth of service, and that had to be taken into account.

By Hon. Mr. Hugessen:

Q. That is just 50 per cent?—A. Yes. Now we come all the way down through that and analyse that situation as to what the Canadian Pacific's benefits and what their expenses were, so we get a net benefit. And we said to the Canadian Pacific, "We are getting before the abandonment a net benefit of \$774 a year by reason of the Canadian National having given service to Bridgetown and the traffic having been routed in that particular way." Then we drew our position, and our net position is \$3,486.96. Then we take the thing after abandonment and make a similar calculation. Now we found that the joint position was improved by the amount of the net economy, and then we just simply broke that joint economy up into pieces, so that we got a situation that if the Canadian Pacific paid us \$3,500 a year we would be in a better position than we were previously by the extent of half of the net economy. Now you may wonder why that is, if you look at the net economy and you see it is \$16,000 and the payment is only \$3,000. Obviously, it occurs to you why it

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What? The answer is simply this, that whereas when we routed the traffic there was \$40,000 of traffic routed, of which only \$1,500 went by C.P. routes before abandonment, but after abandonment owing to the particular services which we were in a position to give and which the Canadian Pacific was not in a position to give, we would retain \$14,000 of that traffic in interchange, although we did not own the line. And therefore we would be retaining that amount of money. Therefore, taking that into account, we did not lose all the traffic. Even if we had turned the line over to the Canadian Pacific without any adjustment we would still have enjoyed, we estimated, \$14,000 worth gross revenue.

I hope I have made a fairly clear exposition of how the thing is done.

By Mr. Biggar:

Q. Yes. Perhaps we had better put in that statement which you have explained. That will be Exhibit No. 38.

(Statement relative to agreement of 15th January, 1938, with regard to the abandonment under report No. 34 of the Canadian National Railways between Middleton Junction and Grandville Centre, filed and marked Exhibit No. 38.)

By the Chairman (Hon. Mr. Beaubien):

Q. Will you please tell me how much of the whole traffic in that case is off line and how much is on line?—A. In this particular case, sir, the total on line freight traffic was \$1,631.24. The off line earnings of the Canadian National were \$39,330.67, and the off line earnings of the Canadian Pacific of that same traffic were \$1,542.50.

Q. As far as the traffic of your company is concerned, it is nearly all off line?—A. This particular line, sir, is only 14 miles long. We found some of that traffic was, for instance, moving from Bridgetown and going up to Ontario.

Q. But most of your traffic was off line, it went further than the 14 miles, nearly all of it?—A. In this case, sir, every pound of it. I do not think there was any local business between Middleton and Bridgetown.

Q. What is your on line traffic, then?—A. The on line traffic is an arbitrary division of the total earnings between the branch line and the rest of the system. Let me give you an illustration.

Q. That is arbitrary?—A. That is arbitrary. The line is 14 miles long. Suppose there was some thing that had earnings of \$100, and it moved 140 miles, we would say that nine-tenths of it was off line and one-tenth on line.

By Hon. Mr. Black:

Q. That is all on a mileage basis?—A. Yes, that is all on a mileage basis.

By the Chairman (Hon. Mr. Beaubien):

Q. That is an awfully complicated method for an ordinary mind like mine comprehend, I am afraid. Could you not find some simpler method?—A. Well, sir, I would say this. In my opinion—and it is purely my personal opinion—it would be possible to group lines so that you would get approximately a natural balance between them, and you would not have to go into this complicated analysis. But that, sir, would of course involve a degree of risk that one fellow was getting a little more or doing a little better than the other. However, so far as I personally am concerned, I think there are opportunities for approaching the problem in that simpler fashion. All I am doing now is to explain what we did.

Q. Precisely.—A. As I said the other day, we did attempt to get at a simpler method, that is, the Canadian National section felt it could be done more simply, and I still think so.

Right Hon. Mr. MEIGHEN: The object of this, Colonel Biggar, is to show that the co-operative arrangement, as finally arrived at between the two systems was a fair one?

Mr. BIGGAR: Not only fair, but very difficult to reach.

Right Hon. Mr. MEIGHEN: I know it is complicated, but I do not think anybody is disposed to question the fairness of it.

Mr. BIGGAR: I do not think so. There is no question about that.

Right Hon. Mr. MEIGHEN: But you cannot convince me that it should take three years to work out an arrangement even as complicated as that.

Mr. BIGGAR: Before we leave that I want to take the opposite case, under report No. 35.

Hon. Mr. CÔTÉ: You are passing, Mr. Biggar, from report No. 34 to report No. 35?

Mr. BIGGAR: Yes. I am just dealing with Nos. 34 and 35 in the group of complete abandonments.

Hon. Mr. CÔTÉ: If you are going to take up No. 35 I should like to ask a few questions on No. 34.

Mr. BIGGAR: Yes.

By Hon. Mr. Côté:

Q. I think I understood you, Mr. Fairweather, to say that the survey made of this traffic took around four months?—A. I did not say it took four months to make the traffic survey. I said that with regard to the L. C. L. business we took the test period of four months.

Q. Then how long did it take to make the traffic survey on this line?—A. I would have to refresh my mind on that.

Q. It did not take very long for the passenger traffic?—A. There was not anything in the passenger traffic at all.

Q. I think you had only freight?—A. In the abstraction of the data with regard to the freight we had to go to the freight bills. We took off from the freight bills a detail of the traffic upon a form showing where the traffic originated, where it terminated, what junctions it moved through, what the nature of the commodity was—things of that character. To abstract that data subject to refreshing my mind—I think it took somewhere in the neighborhood of three weeks. The balance of the time was taken in getting the agreement with regard to the re-routing of the traffic, which was the other half. So here you had a schedule of this traffic, and then you had to sit down with the Canadian Pacific and re-route it. Naturally the abstraction of the data could not be done by the Canadian Pacific, for it was Canadian National traffic and we had to abstract it. Then we had to sit down with the Canadian Pacific and re-route it. That took a very considerable amount of time in this particular case. I think it ran into several months. If I am correct, I think from the time we originally sent the agreement to the Canadian Pacific until we got it back approved would be a matter of four or five months.

Q. Well, we have three weeks to get off your original data and five months before the Canadian Pacific acted?—A. Before we got the thing agreed as being the agreed traffic data.

Q. When was that freight survey made?—A. I would have to refresh my mind on that.

Q. Personally, I wish you would,——A. In July, 1936.

Q. It was started in July, 1936?—A. Yes; this particular thing.

Q. The report is dated November 2, 1934?—A. Yes, sir.

Q. So between those two dates there was nothing done?—A. Well, now may I make a little explanation of this thing, because I do think it is desirable to understand this. I do not want it inferred that I am giving an explanation

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or justification. What happened was this. The joint co-operative committee did not get this particular data until November, 1935. Consequently any time that elapsed between the date of the report and November, 1935, was no fault of the joint co-operative committee. Now, we started in November, 1935. The first thing we did—and I am speaking now for the Canadian National section—was this. We said, "Let us approach this thing in a simple manner and try to group lines. Let us try to set up groups of lines which will be in natural balance."

By the Chairman (Right Hon. Mr. Graham):

Q. What do you mean by "natural balance"?—A. Just a saw-off—a horse-trading proposition.

Q. It sounds a little political.—A. But, sir, we found that that was not an acceptable proposal.

By Hon. Mr. Côté:

Q. What do you mean by that? You said, "Let us do this." Did you say that to the C. P. R.?—A. Oh, yes.

Q. Have you any reports on that?—A. We have an exchange of correspondence.

Q. Where you made some proposal of exchange?—A. We made a suggestion of approaching it by grouping into lines, which we hoped would be in natural balance.

Q. Did you mention any particular lines that were to be exchanged?—A. I am not certain of that. I think we dealt with the principle, and by illustration—

Q. The principle was adopted in report No. 32.—A. But we had a lot of lines, and I can only say that we did this. Now, when we found that that proposal was not acceptable, we turned our attention to seeing what we could do in any other cases. As a matter of fact, I may say this, that in discussing this situation, the balancing of lines and one thing and another, we asked the executive whether these lines were to be more or less balanced, or whether they were to be proceeded with individually. We did not get a reply from the executive directly, that is, officially, but early in 1936 we started in to develop these reports along the line that I have been indicating, and we chose the Middleton-Bridgetown and the Linwood-Listowel lines as test cases. So that from October, 1935, to July, 1936, was consumed in trying to get groupings. Then in July, 1936, we abandoned the attempt to get groupings with regard to most of these lines and proceeded to get this data. That is the history of it, sir.

By Hon. Mr. Buchanan:

Q. What do you mean by groupings? Did you plan certain lines of your own to be abandoned in certain territory and certain lines of the other roads to be abandoned in other territory?—A. Yes. My feeling was this. Here were the Middleton-Bridgetown and Linwood-Listowel Lines. I was prepared to recommend that on a reasonable examination of the property we would say, Well, now, we will let one line offset the other."

Q. You had lines of that character in the different parts of your territory?—A. Yes.

By Hon. Mr. Gordon:

Q. Was not the great delay caused in reaching a conclusion attributable to the fact that the different committees were comprised of men already loaded with their different jobs?—A. That is undoubtedly an important factor. Certainly, speaking for the Canadian National Railways, I can say that our staff is down to a minimum, and when men are working on things like this they cannot be working at their routine employment. That is quite true.

Q. The length of time these men can devote to this must be very short?—A. It is limited by their other duties, there is no doubt about that, and there is really no way out of it, because it is only men who have the knowledge who can deal with it intelligently. If you thought you could deal with this by taking on clerical staff as far as the clerical work is concerned, you would not make any advance at all.

Q. If, as we are led to believe, millions can be saved in some way, could it not be arranged that these boards would be composed of men who could give their whole time to it?—A. Well, that can be done at headquarters, I quite admit, but I do not see how you can take a local situation in the field and deal with it intelligently except by men who know all about it. Take Middleton-Bridgetown. You had to go to the local superintendent who knew the situation and he had to be taken into conference. He had to be in a position to give his advice regarding all these operating matters. The same is true of the local traffic people. It seems to me very obvious that that must be so. If you pulled a man in and said he was going to be charged with all this operation, he would be dealing with a local situation. How is he going to get the information?

Q. Much of this information which you have given regarding the line passed on is going to come in later on in some way so that you won't have to spend so much time over again on every little line that comes up before you?—A. I am certainly hopeful of that. And I say this: it is our experience that in subsequent cases the time consumed has been less than it was on Linwood Listowel and Middleton-Bridgetown.

By Hon. Mr. Côté:

Q. You stated to me that it was early in 1936 that the Co-operative Committee took on the job of investigating No. 34.—A. In 1935, sir, October, 1935.

Q. That is when the Headquarters Committee passed out of existence?—A. Yes.

Q. Then the Co-operative Committee took it on?—A. Yes, sir.

Q. Then there was a period of three weeks covering that freight survey?—A. No, no. There was a period from October 1935 to July 1936 in which we attempted with the Canadian Pacific to make a comprehensive grouping. But we failed to do that. If we had been successful we would have had a large amount of mileage advanced.

By Hon. Mr. Calder:

Q. That matter had to go to the executive?—A. Yes.

Q. And they had to decide on it?—A. So far as I know we never receive official advice.

Q. You know they did not approve.—A. I do not think that can be said, sir, but what I do know is this, that we proceeded with the C.N. question with the consent of the C.N. executive to make these arrangements.

By Hon. Mr. Haig:

Q. In July?—A. In July. But so far as I am aware, we never receive a formal report from the Canadian National and Canadian Pacific Joint Executive.

By Hon. Mr. Gordon:

Q. Therefore you assume the report has been pigeon-holed?—A. That is an assumption.

By Hon. Mr. Côté:

Q. In July, 1936, your activities started on this scheme. Then you said there was another period of four or five months before the figures supplied by the freight survey could be further analyzed?—A. Yes, sir.

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Q. And the diversion of traffic could be scrutinized?—A. Yes, sir.

Q. And it was another four or five months before both railways had anything on that?—A. Yes, sir.

Q. That would take us to the end of 1936?—A. Yes, sir.

Q. Then at that point what was in the way of reaching an agreement?—A. Well, now, I will explain that, sir. While we agreed to go ahead with these lines in that Canadian Pacific section, we said they had to go ahead in pairs. We said we wanted another line in which the shoe was on the other foot, because there would be all sorts of things in which a decision might be favourable to one company or the other.

By the Chairman (Right Hon. Mr. Graham):

Q. That is, the lines would go in pairs?—A. We wanted that so that if the Canadian Pacific used an argument that we thought was not quite right we would be able to say, "That applies with equal force to the other line," so that we would be able to get that element of fairness into the agreement which we thought desirable. I will say this: the Canadian Pacific section joined with us in saying that would be a proper procedure.

Now, the other line was Linwood-Listowel, and while the Middleton-Bridgetown line was a fairly simple proposition from an operating standpoint, the Linwood-Listowel line took a very long time before the Operating Committee could come to an agreement as to what the operating economy was; and that explains the balance of the delay, sir.

By Hon. Mr. Côté:

Q. No. 34 was held up by No. 35?—A. That is, broadly, a correct statement.

Q. You wanted the two abandonments to move together?—A. We wanted them together, yes.

Q. How long was it held up on account of Listowel? How long was No. 34 held up on account of No. 35?—A. I would not want to say exactly, sir, and I want to say with regard to Middleton-Bridgetown that when we thought we had it closed we found we hadn't and had to go back at the last minute and make some corrections to the operating figures to Middleton-Granville. With that reservation, the explanation is correct. We wanted the two lines to move together. One of the troubles with the Linwood-Listowel was express, which was not present at Middleton-Bridgetown. But here it was present in a very important way. We wrestled with the express situation for a long time, and finally arranged a joint conference in which the Canadian National and Canadian Pacific representatives sat down together, and in an afternoon we threshed out the solution of that difficulty. It was a good piece of work, but before we got to that point we had a lot of disagreements as to how to handle express.

The CHAIRMAN (Right Hon. Mr. Graham): Now, we have had No. 34, and have gone into No. 35. The suggestion was that 34 and 35 be really considered together, to show the one class of problem with each road. Now shall we take up No. 35?

By Mr. Biggar:

Q. Now, you have a corresponding statement in the case of 35?—A. Yes, sir.

Q. Built up in much the same way—I think exactly the same way. I do not know whether it introduces any new factors?—A. Except express and telegraphs.

Q. The statement is calculated in the same way?—A. The framework is the same.

Q. I think we had better have that to compare. It is the Canadian Pacific abandonment?—A. Yes, sir.

(Statement *re* Canadian Pacific Linwood-Listowel abandonment filed, marked Exhibit 39.)

Q. Now I observe that in the report with regard to these two proposals, the Middleton-Bridgetown abandonment was supposed to yield an economy of \$14,454, and the Linwood-Listowel \$29,725.—A. Yes, sir.

Q. As a matter of fact, when you worked the thing out in detail and with accuracy, the Middleton-Bridgetown item went up to \$16,800, did it not?—A. I think it decreased a little.

Q. \$16,800 in the agreement, and on the other hand the Linwood-Listowel came down to \$13,000, did it not?

Hon. Mr. MURDOCK: It is the other way about. The estimate of Linwood-Listowel was originally \$13,000.

The WITNESS: I think you have the figures reversed.

By Mr. Biggar:

Q. My point really was that those two looked as if they were not in balance originally. The figures looked as if they were within \$3,000 of one another?—A. Yes.

Q. Or within \$13,000, whereas ultimately they came down to within \$2,000 of one another?—A. It is the other way, sir.

Q. My point really is that the whole situation with regard to sawing off changed as a result of the detailed examination you made?—A. Yes, sir, that is true, and if you take limited groups this is true of many of those co-operative arrangements. If you take limited mileage or pooling arrangements you will find that what you thought was approximately correct turns out, when looked at closely, to be wrong; but if you take a large number you will find that on the generality your original conclusions are not very far out.

Q. Now, you have only reported to the Executive Committee on five other cases of that kind, have you not?—A. On report 32?

Q. On report 32.—A. Yes, sir.

Q. That is not large enough for grouping, is it?—A. I think so. Taking the total mileage it is fairly extensive. I think it could have been arranged in groups. That is my personal opinion.

Q. And there would have been as much difference between your introductory report and the final agreement as in the case of Linwood-Listowel.—A. May I make my position clear? As far as I am concerned, there are economies that are desirable in the interest of the nation, economies that can be put into effect; and as far as I personally am concerned, I am satisfied that if these economies are there, and if there is a reasonable apportionment of them between the properties, I do not think it is in the interest of the country to hold up the abandonment while you are fighting over a division of a few dollars of burden and advantage. That is my opinion.

By Hon. Mr. Buchanan:

Q. Under that grouping system how many miles would have been affected?—A. Somewhere around 200 miles, on that particular thing. And then we had the Report 23 cases, but as far as I am concerned the Report 23 cases can be grouped just as well as the Report 32 cases.

By Hon. Mr. Casgrain:

Q. It is true that there are two persons per railway line in the United States for every one that we have in Canada?—A. Yes, the density of population per mile is greater in the United States.

Q. Twice?—A. Approximately twice.

Q. And the roads are all bankrupt? Everybody knows that?

By Mr. Biggar:

Q. Just to finish Report 32 cases, can you tell us briefly what the position of those other five cases is?—A. Yes sir. This is part three of your statement.

[Mr. S. W. Fairweather.]

We have explained Middleton Junction-Granville Centre, we have explained Linwood-Listowel. Now, Report 38-A, Louise-Deloraine—

Q. What is the position of it now?—A. The position of it now is that the traffic report has been completed and the operating report has been completed, and if I were not in attendance at this Committee I think that that report would be advanced very quickly. It is just in the situation to be closed up.

Q. And he next one, No. 39?—A. Reston-Wolseley, that requires a special explanation. I said that in July 1936 we agreed, although we had not received instructions from our Joint Executive on this reference to have a grouping, but that we would proceed nevertheless with the preparation of agreements on all these lines, because in any event the data we had would be useful. And in making that arrangement the Canadian Pacific Railway reserved from the group of lines which they were willing to prepare data on, Reston-Wolseley, and the Canadian National reserved in this particular group none. But I want to make clear that the Canadian National also reserved certain lines. The Canadian National reserved the line from Bala to Wanup, that is north of Toronto; and the Canadian National also reserved the line from Bird's Hill to East Selkirk.

By Hon. Mr. Casgrain:

Q. Is that passenger or freight?—A. Abandonment of lines, sir.

By Hon. Mr. Hugessen:

Q. That was under Report 23?—A. Yes. But I want to make this plain, because I did not want to give a false impression that the Canadian Pacific had reserved a line in this group and that we had not. Actually we reserved a line from Bala to Wanup and from Bird's Hill to East Selkirk. Both of these were Report 23 cases. But with regard to all the rest of them we agreed to go on and prepare data for the agreements.

By Hon. Mr. Dandurand:

Q. It covered how many miles?—A. The Reston-Wolseley is 122 miles, the Bala-Wanup is 141 miles and the Bird's Hill-East Selkirk is 15 miles.

By Mr. Biggar:

Q. There has been nothing done with regard to Report 39, Reston-Wolseley?—A. No.

Q. That is the position?—A. Yes sir, nothing has been done.

Q. Then, Report 47, St. Canut-Cushing Junction, what position is that in?—A. That is in the position, as I recall it, that the traffic study is pretty well along and the operating study is completed—no, I have just got them twisted; it is the other way around: the traffic study is completed and the operating study is well along.

Q. And Report 61, Dranoel-Medonte?—A. Well again, sir, that is fairly well advanced.

Q. And Report 62, Ste. Therese-St. Eustache?—A. That is almost done.

By Hon. Mr. Casgrain:

Q. How much does that make altogether?—A. The economies—

Q. Not the economies, but the mileage?—A. The mileage in this particular group,—I will have to add it up. For 37 miles agreements have been completed, and there are 158 miles more for which agreements have been advanced.

Q. Supposing it is 200 miles, that is not much in 40,000?

By Mr. Biggar:

Q. Having regard to the settlement of two agreements in the first two cases, No. 34 and 35, you ought not to have any difficulty in principle on the

remaining five?—A. I do not think so, sir. As a matter of fact, they are well advanced.

By the Chairman (Hon. Mr. Beaubien):

Q. Tell me, Mr. Fairweather, before an agreement is consummated and goes into execution, you make an estimate?—A. Yes.

Q. I suppose that is pretty well proved after the agreements are put into effect? It is easy to check that, is that right?—A. No, it is very difficult to check it and we do not want it checked, and we do not have any intention to check it. That is one of the things, sir, that we had to get out of the way because may I say to you this, that railroaders have been brought up in a tradition of not wanting to make definite decisions. That is, if you had an arrangement like this, the typical railroad arrangement would be to make a continuing traffic pool. They would make a continuing traffic pool and then they would for ever and a day continue an accounting of that pool, which would be an expensive procedure. Now, one of the things that we had to sweep away was that old-fashioned idea that those things had to proceed along that line and I think we did that, and in doing it we did a good job, if I may say so. If you had approached those things from the old-fashioned idea you would have got your economies quicker in the first instance, but you would have been for ever and a day saddled with an accounting with regard to each one of those lines, and that accounting would eat up the economy.

By Hon. Mr. Buchanan:

Q. I would like to clean up a matter. You spoke of having taken into consideration what I understood to be a policy of grouping, by which you would abandon certain lines of one railroad against certain lines of another railroad. I asked you a question, a few moments ago, as to how many miles would have been abandoned under that system, and you said 200 miles. But I thought it was a wider abandonment that you had in mind, and the executive was considering that for some time?—A. Well, sir, when I said 200 miles I was speaking roughly of those abandonments under Report 32. But the grouping idea applies with as much force to the other type of line abandoned as it does to the Report 32 type. That is, there is no more reason for the one than for the other. If you give one person running rights over your line between A and B, the line being of the same general character as the other fellow's line, there is no reason why you could not give the other fellow running rights corresponding over your line, that is swap running rights. It can be done. And it was with the hope that something along that line could be done that we tried to explore it.

Q. How many miles would be affected in that way?—A. Oh, we had already in reports somewhere around 700 miles of line, and we had another bunch under study.

By Hon. Mr. Horsey:

Q. Joint running rights?—A. It might be joint running rights, or withdrawal of territory,—anything you please. We wanted to carry the principle to simplicity.

By Hon. Mr. Hardy:

Q. When you say "we" whom do you mean?—A. I mean the Canadian National section. We advanced that idea.

By Hon. Mr. Dandurand:

Q. When you are examining the possibility of abandonment of line, such as lines as you have just mentioned, upon which you are working, are you considering the question of serving the public, along with the question of economy? Do you consider the effect upon that territory?—A. Yes sir; we have to take that into account. If we did not, we might find ourselves in the position

[Mr. S. W. Fairweather.]

either losing valuable traffic to the joint interest, or we would find ourselves in the position of having recommended an abandonment of such an absurd nature that the Board of Railway Commissioners would not consider it in the public interest.

Q. Because every one of those agreements must go to the Railway Commission?—A. Yes sir.

By the Chairman (Right Hon. Mr. Graham):

Q. It struck me, in listening to most of the questions and the answers, that there seemed to be only two interested parties in this, the two railways. Now, the dollar that the individual loses in accommodation is just as big a dollar as the railways' dollar, and there are far more of those individuals' dollars than there are dollars invested in the railways?—A. Many more, sir.

Q. In discussing this, I think we ought to keep in mind what the leader, Senator Dandurand, has drawn attention to, that by far even in cash the most money lies not with the railways, but with the people, in service to the people?—A. Quite.

Q. If you take away service that is worth \$50 to me, to make \$30 yourselves, you are "doing" me. That is not in the public interest.—A. May I illustrate that, Mr. Chairman—I can best illustrate that point, Mr. Chairman, not from the co-operative line abandonments, but from our own exclusive line abandonments. Now, I happen to be chairman of a committee to deal with that situation. We went over the map of Canada and we listed, 1,800 miles of Canadian National line that did not seem to be earning its keep. Now, we took off with regard to that all the pertinent data of those lines. We had to reject 1,200 miles of that 1,800, because we could not, in our judgment, substantiate an abandonment.

By Hon. Mr. Copp:

Q. Before the Railway Commission?—A. Before the Railway Commission. Then we made up a list of about 600 miles that we thought we had a reasonable chance on, that is that the economies there were so manifest that there might be a reasonable expectation that the loss to the public by reason of lost railway service would be made up by the economy which the railway would secure in about 600 miles. We sent them to the Board of Railway Commissioners, and the Board gave us about half of them and rejected about half. That, sir, I think, puts the case as clearly as I can put it. We looked at it from nothing except the railway standpoint when we had 1,800 miles that we considered should be abandoned. When we looked at it from the standpoint of reasonable public service, we cut it down to 600. When we sent it to the board, the board cut it down again to 300.

By Hon. Mr. Côté:

Q. Those were non-competitive lines?—A. Yes, they were non-competitive lines.

By Hon. Mr. Casgrain:

Q. When you come before the committee next time Mr. Fairweather, will you kindly prepare yourself to answer this question: Why should Saskatchewan have four miles of railway per head of population when Quebec has only one mile?

The committee adjourned until 4 p.m.

AFTERNOON SITTING

The Committee resumed at 4 p.m.

By Mr. Biggar:

Q. Now, Mr. Fairweather, let us turn to the proposals involved in abandonment of one line and the joint use of another. That is Part II of Exhibit No. 37. I think we can run over that quickly. The first report is No. 25, which is dated December 7, 1933. I understand that an agreement was reached with regard to that on August 1, 1935, and put into operation on April 26, 1936.—A. That is correct, sir.

Q. Now, the next one is the St. Johns-Farnham abandonment. You had better tell us what was the reason for the delay of about eighteen months between report and agreement, and the delay of about eight months between agreement and operation?—A. Well, sir, that was the line, or one of them, in which the headquarters committee undertook to prepare the agreement.

Q. I see. And they did not get any further than that. I imagine the next agreement was prepared before they ceased to operate?—A. Yes, sir.

Q. The next one is report No. 30, of February 10, 1934, with no agreement yet. That is the Bala Park-Wanup abandonment. Is that the one you were referring to this morning?—A. I referred to that this morning as being a line which the Canadian National reserved from the preparation of agreements, and nothing is being done with regard to that particular line.

Q. Then No. 31, dated March 23, 1934. Agreement on October 1, 1935, and in operation July 1, 1936. That is the agreement relating to Grand Falls-Edmundston.—A. That, sir, is the companion abandonment to report No. 25, St. Johns-Farnham.

Q. None of those I observe are agreements. In respect of reports Nos. 33, 36, 40, 41, 55 and 60 that applies.—A. No, sir; but with regard to those the committees are at work preparing the data on operating and traffic features.

Q. I have looked at those two agreements made, one with respect to report No. 25 and the other with respect to report No. 31, and I find they run to about forty pages each.—A. Yes, sir.

Q. Will all these agreements be of the same complexity?—A. Not if I have anything to do with it, sir. That is one of my ambitions, that those agreements can be simplified.

Q. I see. I have read them over, and they seem to be very specific on the points they deal with. Do you think some points could be disregarded?—A. I think so, sir, but of course that is only my personal view.

Q. Do you want to say anything about the delay that has occurred in regard to those, in view of the fact that two agreements of that kind were settled in 1935?—A. I do not know that I should like to add anything except one comment, and that is with regard to report No. 55 and report No. 60. The comment I would make is this, that the delay is not always expensive. With regard to report No. 55, which is the North Bay-Yellek abandonment, Yellek is a very small station about seven miles west of North Bay. This line abandonment which you see here is the line abandonment which is the remnant of a much larger abandonment that we studied, the abandonment from North Bay up through to Capreol, about ninety miles; but we could not satisfy ourselves that it was feasible to abandon the larger mileage. Also there was a question of a joint station at North Bay, because you could not do anything with regard to this particular abandonment unless you came into agreement with regard to a station at that point. In this particular case when we first looked at it traffic was at a low ebb and the Temiskaming and Northern Ontario Railway was also affected. We got together with them and more or less agreed that we could use one of the tracks through their yards as a connecting track for the abandoned section.

[Mr. S. W. Fairweather.]

By the Chairman (Right Hon. Mr. Graham):

Q. That is the Ontario Government Railway?—A. Yes. When we proceeded to make the detailed examination upon which the agreement is based, we found that under the changed traffic conditions the T. & N. O. said that under these conditions as they now stood and with the traffic moving through the North Bay yard, they could no longer go along with the proposal, and if we wanted to do it we would have to build a line of our own. That meant we were faced with an expenditure somewhere between \$200,000 and \$400,000. That being so the economy disappears. Now had we gone ahead with that particular agreement, and had it in fact turned out subsequently that the track was inadequate, we would have had to spend from \$200,000 to \$400,000 to remedy the situation.

A similar situation is found in report No. 60. That is a peculiar illustration of how in a country like Canada it does not pay to be too dogmatic with regard to a line abandonment. Here we had two lines running north out of Montreal, one a Canadian Pacific line which had been established for a good many years, the other a Canadian National line which had been built in fairly recent years, I think around 1925 or 1926. The Canadian National line was built to give a direct connection through to our main line to Quebec. It also gave us a direct connection to the north. Looking at this thing when we did, we reached the decision that one line could do the work of both, that is, the Canadian Pacific was using its line for nothing except its mountain service. We figured it could take on the mountain service of the Canadian National and also the train service between Montreal and Quebec of the Canadian National. We therefore reported it to the executive, and the executive approved of it. When we came to make the detailed agreement after this period had elapsed, we found this condition, that owing to the development of winter resorts up in the Laurentian Mountains the capacity of that piece of track was already taxed with Canadian Pacific trains, and if we tried to put Canadian National trains on that track in addition we would be forced into an expenditure of a quarter of a million dollars for improvements.

By Mr. Biggar:

Q. I suppose a block system?—A. Yes, a block system of signals; and if the thing keeps on growing we might be forced to double track. This particular thing illustrates, as I say, how careful one must be in a dogmatic statement that a particular line is dead or naturally redundant. Consequently in both No. 55 and No. 60, the conditions having changed so much beyond our expectation, we have had to modify our conclusions, and now in neither of these cases are we sure we should go along with the abandonment.

Q. That is all I have to ask Mr. Fairweather about this Part II joint use and abandonment cases. Are there any questions?

By Right Hon. Mr. Meighen:

Q. Mr. Fairweather, I have been living in Toronto and have been hearing for a long time that the same sensible arrangement was being come to with respect to one railway taking over the switching at Leaside and another at Mimico.

MR. BIGGAR: That is in the other group, Senator. We have not come to that yet.

RIGHT HON. MR. MEIGHEN: Are you still dealing with these abandonment cases?

MR. BIGGAR: Yes.

RIGHT HON. MR. MEIGHEN: I do not see any necessity for going over the details.

By Hon. Mr. Haig:

Q. Before you leave them I want to ask again about the East Selkirk abandonment. It is No. 36. You told me the other day, Mr. Fairweather, that on account of the development of industries on part of the line you did not want to abandon it. But that can apply only to the line from Winnipeg east to Transcona back through Transcona, being pretty well what we call Elmwood locally. That is fifteen miles. There can be no industrialization there, from Elmwood to Selkirk, because the country is composed of small forty-acre farms. I do not see why that arrangement cannot be put in at once. If not, why not?—A. There, sir, the industrial plant to which I referred is located near the end of the line out from Winnipeg that is proposed to be abandoned.

Q. That is the pulpwood at Pine Falls?—A. No, it is an industrial plant of the C.I.L. It is located about five miles from East Selkirk.

Q. Is there much traffic off that?—A. It so changed the picture that in the opinion of the Canadian National executive it was not desirable to go along with the preparation of the agreement.

Q. That is the explosives plant at East Selkirk that manufactures dynamite and that kind of thing?—A. Yes, sir. It so changed the picture that the Canadian National executive said, "Here is traffic which we should not surrender." We planned abandonment at one time, but, as I have said, a factory came in there, and naturally it made the abandonment less attractive.

Q. That used to be the C.P.R. main line. Now they go another way. Their line cannot be very busy either?—A. I quite agree with that, sir.

Q. If you cannot unite those two lines you can never unite any in Canada.

By Mr. Biggar:

Q. We can turn now to the proposals not involving abandonment. They are contained in Part I of Exhibit No. 37. They were all except two put into force fairly promptly, were they not, Mr. Fairweather?—A. Yes, I would say so, sir.

Q. The first is No. 1. There is no date to the report, but it was put in operation after agreement on June 16, 1933. No. 2 is about the same thing, the agreement having gone into operation on September 1, 1933. No. 3, also without any date, was put in operation on July 3, 1933. Then report No. 4 was dated March 7, 1933, and came into operation on April 2, 1933. No. 9 is dated June 22, 1933, and came into operation November 13, 1933. Report No. 12 is dated September 18, 1933, and came into operation November 1st of the same year. Report No. 20 is dated October 4, 1933, and came into effect on March 1, 1934. Report No. 22 is dated October 31, and came into operation on December 1st of the same year. Report No. 24 is dated December 1, 1933, and came into effect January 1, 1934. Then we have report No. 27, dated December 19, 1933, but it has not yet come into operation. That is the Leaside-Mimico joint switching case to which Senator Meighen referred. Now will you tell us what has stuck that? That is Leaside-Mimico.

Right Hon. Mr. MEIGHEN: It seems very simple. One was going to do the switching at Mimico-Swansea, and the other at Leaside, but it is still in statu quo.

By Mr. Biggar:

Q. What did stick that?—A. That is report No. 27?

Q. Yes.—A. That was an attempt by the Joint Co-operative Committee to develop an economy in terminal operation, and we used it more or less as a test case. We had a similar one out at Portage la Prairie—at least, it was not similar; that is hardly a correct phrase. We had a situation at Portage la Prairie—

Right Hon. Mr. MEIGHEN: The two cities are much alike.

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The WITNESS: There we were able to solve the problem by arranging that one month the Canadian National would perform the work and the next month the Canadian Pacific would perform it, and it made a satisfactory arrangement.

By Mr. Biggar:

Q. That is report No. 12?—A. Yes.

Q. Yes?—A. Then we looked around to see if we could find other illustrations of the same thing. We found they were rather scarce, but down in Toronto we did hit on this situation. We worked around for quite a long while to try to get a balance between the companies, because, you see, we tried to do it without the complication of a traffic pool, and we wanted, therefore, to get the traffic that each company was exposing to the other's service approximately equal.

Q. "Exposing" is an unfortunate word, is it not?—A. It is correct, I think. I meant it just that way.

Q. You mean running the risk of being handled by the other?—A. I was going to explain that among railways one of the features which is considered highly desirable is that when you solicit traffic you are able to give service. If you are in the position of soliciting and someone else is performing the service you are not considered to be in as favourable a position as you are when you are both soliciting and serving.

Q. Exactly.—A. In this particular case, you see, in the Mimico-Swansea area, the Canadian National would be serving traffic that the Canadian Pacific would be soliciting.

Q. And vice versa?—A. And vice versa up the other line, in North Toronto—Easie, where the Canadian Pacific would be performing the switching service and the Canadian National would be soliciting the traffic. If this had been entirely outside the free switching zone or interchange zone it would not have been a factor, but you see, either party could go in and solicit that business. We had quite a lot of trouble with that, and we wanted the Canadian Pacific to throw in as a make-weight the switching line down on the water-front, which we thought they were in a position to switch effectively, because we did not think there was a sufficient balance between those two lines. Well, eventually we agreed to report it to the General Executive, and the General Executive approved.

Q. That was on the 19th of December, 1933?—A. Yes. Then subsequently the Canadian National Executive asked the Canadian Pacific Executive—that is the Joint Executive—to refer this thing back to the Joint Co-operative Committee to test out whether, in fact, it was a reasonable arrangement, because the Canadian National Executive had some doubt about it.

By Right Hon. Mr. Meighen:

Q. I thought the Joint Executives had agreed?—A. They had originally.

Q. But nothing is final with you people at all.—A. I can only tell, sir, as early as I can, what happened.

By Mr. Biggar:

Q. I find in the minutes of the Joint Executive Committee that report No. 12 was considered on the 23rd of October, 1934, and referred back to the Co-operative Committee, and was not finally approved until the 4th of February, 1936.—A. That explains it, sir. When I said they had approved it, I was incorrect. They had considered it.

By the Chairman (Right Hon. Mr. Graham):

Q. I have got lost, I admit, in all these joint co-operative committees, joint executive committees and so on. Do they all work harmoniously?—A. Well, as harmoniously as possible.

Right Hon. Mr. MEIGHEN: They did agree two years ago last February.

By Mr. Biggar:

Q. Perhaps you might direct yourself to the reason why this has happened since February, 1936?—A. I was going on to that, sir. Then it got in a position in which it was one of those cases upon which we had to prepare an agreement, and by the time that took place there were evidences that the economy on the North Toronto-Leaside line was no longer there in a magnitude which would justify the situation.

Q. You mean proceeding with the agreement?—A. As a matter of fact, as I recall it, a preliminary review showed that it would be taking work away from Canadian National men and simply turning it over to Canadian Pacific men, and the Canadian Pacific would be put in the position of being able to call on another crew to do Canadian National work. There was little or no economy in North Toronto-Leaside, because what had happened in the interval to traffic on the North Toronto-Leaside line was that it had reached a point where the only switching trick for the Canadian Pacific and the Canadian National could not do all the work, you see.

Q. Yes?—A. Now, that left a situation under which there was no economy in North Toronto-Leaside.

As I recall it, at Mimico-Swansea there was still an economy, but that when you went ahead the pair were no longer in balance, and you would simply have been transferring work from the Canadian National to the Canadian Pacific.

Q. You mean that when it got back to you in 1936 the economy was no longer there?—A. Yes.

Q. The offer of economy?—A. There would be a little offer of economy, but it was small. Then it had this other situation in it, that Canadian National employees would have been displaced, and Canadian Pacific employees would not have been displaced. Faced with that situation the Canadian National section of the Joint Co-operative Committee approached the Canadian Pacific section saying to them, "Now, conditions have changed materially and we think it ought to be studied under the new conditions, because we are no longer satisfied that the economy is there or that the balance is there." The Canadian Pacific section of the Joint Co-operative Committee refused to do that. Faced with that situation we reported the thing to our own executive. We said, "We are under instruction to prepare this agreement. We no longer think this agreement is applicable; we think conditions have changed and that the question should be studied anew."

Q. That would be the third time.—A. Well, yes, let us say the third time. And that is the question in which the thing is at the present time.

Q. And it has not yet been studied the third time?—A. Not the third time.

Q. Now, I observe with regard to report No. 28, which is the next of that it was dated on the 29th of January, 1934, and that the agreement, which was made in March, went into operation on the 11th of March in the same year.

We have only one more, No. 52, with regard to joint facilities in Ottawa. The report was made on the 8th of October, 1935, and there has been no agreement yet. What is the explanation of that?—A. The explanation that I am giving you is pretty much along the line of the explanation with regard to the joint switching.

Q. You mean conditions have changed?—A. We made a study, and they worked out a plan that would seem to fit the circumstances. Then when we proceeded to work out the detailed agreement the local officers, who had to carry on the work and who were responsible for the prompt despatching of trains and the prompt handling of power, said that under present-day conditions this thing would not work, that there would be an undue delay and an increased expense. I may say, sir, that to get this economy necessitated abandoning, except in extremely light work, the Canadian National engine house which is located right next to the station down here, and the use of the Canadian

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ian Pacific engine house which is located over in Ottawa West. That required that all Canadian National locomotives, which at the present time are serviced right next to the station, should go over to this C.P.R. engine house.

Q. Was that condition a fresh one?—A. No, but again with the increase in traffic that took place, and one thing or another, factors which the local operating officers said had been overlooked, there would be a condition created, they said, in which the saving in expense anticipated in consolidating the engine houses would be wasted in running the locomotives to and fro, in the necessary cost of signalling, and in the delay to trains that would result.

Q. In other words, the conditions had changed from the time the report had been made?—A. Conditions had changed. Well, now, in that case the Canadian National section of the Joint Co-operative Committee drew the attention of the executive to that condition and asked for instructions.

Q. Yes?—A. We wrote to the Canadian National executive and said, "Now, here is this situation. Do you deem it important enough that we should re-study it?"

Q. And?—A. Well, that is the condition of it at the present time.

Q. You have not had any reply to that?—A. We have had no instructions.

Q. And that communication to your own executive was when? I observe that that report No. 52 was approved by the General Executive Committee on the 4th of February, 1936, that is two years and three months ago?—A. I will have the date in a minute.

Q. That was the date of this approval, on the 4th of February, 1936. And you will give me the date upon which you asked for further instructions?—A. Yes sir.

Q. That covers all that I have to ask you on this subject. And I propose to go on to the ones with respect to which there has been no report.

By Hon. Mr. Murdock:

Q. May I ask you, Mr. Fairweather, one question about No. 12? I understood you to say that the Canadian National performed the switching at Portage la Prairie one month and the Canadian Pacific the next month. Was that switching service performed by a road switching crew or by permanently located yard crews?—A. As I recall it, it was permanently located yard crews.

Q. Then the Canadian National yard crew would have nothing to do the month that the Canadian Pacific yard crew was doing the work?—A. I have forgotten just how that disturbance to labour was worked out. But naturally, of course, you cannot make economies without putting men out of work; that is utterly impossible.

Q. But it would mean six months work each?—A. I would have to refresh your mind on that. I think they had a chance to bid in work to some degree, but I am not quite certain of that.

By Hon. Mr. Hugessen:

Q. Before you go on I should like to go back to Report 30, Bala Park-Wanup, which you said in the course of your evidence this morning had been reserved by the Canadian National executive from consideration. I wonder if you could give us any reason why the Canadian National executive reserved that very important economy of this kind from the consideration of this Committee? The same question might be asked with reference to the reservation by the Canadian Pacific of Report 39, the Reston-Wolseley abandonment. Why is it that that had been reserved by the Canadian Pacific executive? Why did your executives reserve these two important economies from consideration?—A. Well, I can speak with regard to Bala-Wanup. The desire of the Canadian National executive in regard to Bala-Wanup was to get some Canadian Pacific property which was of approximately the same importance, which would act as an offsetting item. Now, there were two lines suggested as being offsets. One

was a portion of the Canadian Pacific line between Windsor and Woodstock where the lines are closely parallel and where the Canadian National thought that one line would do both and that the Canadian Pacific line, or portions of it, might be abandoned, our line being double-track. Then there was another piece of line, the new shore line of the Canadian Pacific, and there seemed to be an opportunity of abandoning a piece of the Canadian Pacific.

By Hon. Mr. Dandurand:

Q. From what point to what point—A. Well, the points are Shannonville to Darlington, down near Belleville. It is along the lakeshore, where the lines are parallel to each other. The Canadian National has a double-track line there, and we were willing that the Canadian Pacific should have the use of our double-track line and abandon their single-track line; and the same thing with regard to a piece between Windsor and Woodstock.

By the Chairman (Right Hon. Mr. Graham):

Q. That track of the Canadian Pacific, is that an extension of the connection between their northern through line and that along the front?—A. It is a new line they built in 1914 along there.

Q. That is the one I mean.—A. That is the one, sir.

Q. It runs on the bay shore at Belleville?—A. Yes sir. We suggested that they consider abandoning a piece of that, from Shannonville to Darlington and also that they consider abandoning a piece of their line between Windsor and Woodstock. And then we said, "When you throw that into the pot we will go ahead with Bala-Wanup." But we have never been able to get the Canadian Pacific to agree that those two lines might profitably be abandoned. Of course this was a case of a main line against a main line. The disturbance to labour in there was something that was of considerable concern. We thought it was desirable that when you were abandoning a big chunk of your main line, that in order to avoid the criticism that all the sacrifice was on the part of the Canadian National in order to get co-operative measures, that it was desirable to try to insist upon the Canadian Pacific coming across with a corresponding piece of mileage. Because I may say that the criticism to which I have referred, namely the one that the Canadian National was making undue sacrifices, was one that we did hear. And it was something that had to be taken into account. And that is the reason why Bala-Wanup was withheld, because we wanted an offsetting line of the Canadian Pacific. You see, we had not any line of the Canadian Pacific that they had expressed a willingness to abandon, and we had expressed a willingness to abandon Bala-Wanup, and we knew there were Canadian Pacific lines that were just as much duplicated as this line. And we said, "All right, when you get ready to abandon a piece of main line, we will abandon a piece of main line."

By Hon. Mr. Black:

Q. Is there no authority, outside of these committees which we have been discussing, which would say to these two roads, "You must get together and one road must abandon in proportion to the mileage or the equivalent of the abandonment of the other"?—A. Not that I know of, sir.

Q. I think there ought to be.—A. I think there should, yes.

Right Hon. Mr. MEIGHEN: What about the arbitral tribunal?

The CHAIRMAN (Right Hon. Mr. Graham): Yes, we have the arbitral board. As I remember, the statute provides that when the two companies cannot agree in this respect, an arbitral board may be called for on the application of either road.

Right Hon. Mr. MEIGHEN: A body headed by the Chairman of the Railway Commission.

[Mr. S. W. Fairweather.]

By the Chairman (Right Hon. Mr. Graham):

Q. Am I safe in saying, Mr. Fairweather, that neither company has called for the appointment of this arbitral board, that it has been totally ignored, although it was provided for in the statute—and some of us got pretty well man-hauled for putting it in?—A. Speaking to that, sir, neither company has applied for an arbitral board. That does not mean that conditions have not arisen where an arbitral board might have been indicated. As a matter of fact, in the train pooling an arbitral board was at one time indicated. And in the 1935 report of the Canadian National Railways there is a reference made to that, that an occasion did arise in which an arbitral tribunal might have been applied for, but that it was decided to defer the application to an arbitral tribunal—I have forgotten the exact language, but generally speaking, it was that all opportunities of voluntary co-operation should be perhaps explored before taking such a drastic step.

Q. No case was placed before an arbitral board or tribunal, and no tribunal was formed under the statute?—A. No sir, there was not.

By Hon. Mr. Murdock:

Q. Nor asked for?—A. Nor was there one asked for. That is a fact, that the Canadian National did not ask for an arbitral tribunal, although to my knowledge they seriously considered one.

By Hon. Mr. Dandurand:

Q. On what point?—A. On the train pooling.

Q. From Toronto westward?—A. From Toronto westward, sir.

By Hon. Mr. Hugessen:

Q. Would not an arbitral board be just as capable of enforcing main line abandonments as arrangements for train pooling?—A. Well, now, the answer to that is both Yes and No. It is my opinion, based on my experience as chairman of the C.N. section of the Joint Co-operative Committee, that the power for initiating worth-while economies where there is a possibility of reducing the transportation burden on this country, would much better lie in a body outside the two railways than within the two railways or within a body which can only be invoked by one of the two railways. Have I made that plain? The reason for it, if you would care to hear my reasons for thinking that—

The CHAIRMAN (Hon. Mr. Beaubien): Yes, because that sounds like a confession.

By Hon. Mr. Horsey:

Q. May I ask you a question, Mr. Fairweather? Are you familiar—no doubt you are—with the evidence given before the so-called Duff Royal Commission?—A. Yes sir.

Q. That Sir Henry Thornton made certain recommendations along the line of co-operation?—A. Yes, sir.

Q. Do you recall his recommendation that a permanent commission should be set up?—A. Yes, sir.

Q. With certain legal powers?—A. Yes, sir.

Q. Statutory powers?—A. Yes, sir.

Q. Powers that would control the issue of all capital—A. Yes, sir.

Q. For all railways?—A. Yes.

Q. That they should have to get a certificate of public need, and so on?—A. Yes.

Q. And that he also suggested that this commission should have power to compel co-operation?—A. Yes, sir.

Q. In all these different lines of duplicate services—ticket offices, telegraph terminals, duplicate train routes, and so forth and so on?—A. Yes, sir.

Q. Now, if it is a fair question, I should like to ask you: do you think that such a commission, permanently appointed, with these statutory powers would bring about some saving and do away with waste, that it would bring about the object which the country and we all wish to bring about,—greater economy and savings in this railway situation?—A. It was my opinion at the time of the Duff Commission that that was so. My experience since then has served to confirm me in that opinion.

Q. There was to be no appeal to the Governor in Council, either?—A. Well except on a question of law. But with regard to the power to initiate an economy which was designed to lessen the transportation burden on this country, you were leaning on a weak reed if you expected the managements of the two railways to produce that, except where they could get in each particular case an advantage. There was the weakness. Moreover, I do not think it is unfair to say that at the time the Canadian National-Canadian Pacific Bill was under consideration the Canadian Pacific made it very plain that they did not favour compulsory economies.

Now, that threw the whole burden of compulsory economies, from the standpoint of the nation's well-being, on the Canadian National Railway. These things are odious; there is no use denying it. We sit around here and talk about economies for the benefit of the country, but most of those economies are of such a nature that some section of the country is going to get less service than it had before and be extremely dissatisfied. To deny that is to deny the obvious truth.

To expect—and I say it in all humility—that the Canadian National Railways would act in these cases in such a manner as to make them distasteful to the sections of the community that they serve, was something that generally speaking could not be contemplated. Therefore that, in my opinion is the reason which justifies us. If there is an over-riding interest in lessening the transportation burden of this country, an interest which transcends the private rights of the Canadian Pacific Railway and the ordinary business administration of the Canadian National Railways, then there should be some body in a position to take these two railways and say to them, "Now, in this case here we are only concerned with lessening the transportation burden, and in doing it in such a manner that neither of your railways is harmed; but the odium of doing so shall not be on the Canadian National nor the Canadian Pacific."

When Sir Henry Thornton was questioned before the Royal Commission he made this thing very very clear. He said, "These pious thoughts with respect to co-operation, unless some instrument for enforcement is provided, are most lip service for the purpose of deceiving the public or somebody else." That was forcefully put, and of course Sir Henry had a picturesque flow of language. So far as I am concerned, my experience of the past five years confirms what Sir Henry made perfectly plain, that there should be an independent body to do this. I may add that Mr. Hungerford when giving his evidence before the Royal Commission also said that there should be an independent body charged with making those economies effective where there was an overriding public justification for it.

By Hon. Mr. Buchanan:

Q. Where will the initiative be, in the compulsory commission?—A. In the compulsory commission.

I may say again there is perhaps on this continent no more close student of railway affairs than Mr. Eastman, of the Interstate Commerce Commission. For years and years he has been associated with transportation, and has made a reputation for himself in that field. He was considered to be such a valuable

[Mr. S. W. Fairweather.]

man that he was picked out as federal co-ordinator, and he sat there without power to enforce. Recently he delivered a speech in which he made it perfectly plain that in his opinion there were many worthwhile economies possible in the United States, that these economies could be made effective, and that there should be compulsion to make them effective. He said his formula was this, that there should be an investigating body which would investigate everything in which waste appears, and with power to require evidence and to have railway officers appear, and so on. But that was to be a technical body, the sort of thing such as the joint co-operative committee itself is. However, instead of being made up of members of railways, it would be composed of transportation men that owed allegiance to the country and not to the railways. That body, in his opinion, should not be vested with the power to enforce, because it should be a technical body, and if there were elements of public convenience and necessity which this body could not possibly deal with adequately, powers of enforcement should be vested in the Interstate Commerce Commission through enlarged jurisdiction. That is his recommendation for dealing with the situation in the United States, which more or less parallels the condition in Canada.

There they have a field of opportunity which is many times vaster than ours. You gentlemen sitting around here have been rather critical of what the Canadian National and the Canadian Pacific did. Yet in the same period with all the roads of the United States under the pressure of the federal co-ordinator and under the so-called voluntary action of the A.A.R. since that day had not produced results at all commensurate with what we did in Canada. I say we did a better job in Canada in five years than they did in the United States, although conditions in the United States should be conducive to a great deal more economy.

Now, coming back to Mr. Eastman, his remedy is a technical transportation body and enlarged powers to the Interstate Commerce Commission. The Interstate Commerce Commission would be charged with safeguarding public interest. They would therefore receive reports from the technical body and would regard those reports in the light of public interest, and if public interest coincided with the economies the Commission would enforce them, but there would always be a court of review in the public interest. In my humble opinion Mr. Eastman, in slang terms, "has something". I can sincerely say, as a result of my connection with this thing here, that the pre vision which Sir Henry Thornton and Mr. Hungerford had of this situation is the correct one.

By Mr. Biggar:

Q. I think the report you spoke of, Mr. Fairweather, is the annual report of the Canadian National Railways for the year ending December 31, 1934?—A. Yes, sir.

Q. I find a passage on page 8 of that report. It is rather long and I will state the effect of it. The trustees say that while anxious that progress towards the end contemplated by the Act of 1933 should be made with all possible speed, it was the view of the trustees that even at the expense of some delay results accruing from the amicable adjustment of such differences, if such could be obtained, would in the end be better for all parties and for the whole scheme of co-operation than would be those which followed a hearing by and an order of the tribunal. That would still be your view, would it not?—A. No, sir.

Q. Tell me why?—A. Had it rested with me, there would have been an arbitral tribunal.

Q. What would have been the result, do you think, of the arbitral tribunal discussing the problem with the frankness with which the sections of the joint co-operative committee have in the circumstances been able to discuss them?

Hon. Mr. BLACK: There would not have been quite so much jockeying for position on the part of those roads.

The WITNESS: My view is this, sir. Frankly, I am a man who is seized with the importance of reducing the burden of transportation in this country. I can see economies that can be made effective, and personally—I am only speaking personally—I would have had an arbitral tribunal. I recognize the risk that would be attached to it, but I would have had it.

By Mr. Biggar:

Q. I understand there are a great many co-operative agreements between these two railways, are there not?—A. Do you mean in various fields of activity?

Q. In various fields. I was told there are upwards of five hundred.—A. They can be said to be co-operative in the sense that there was a mutual advantage to the companies, but they are co-operative in the same sense that two merchants will co-operate instead of cutting each other's throats.

Q. And in regard to these particular agreements of the kind we have been speaking of, I gathered from your description that when the two branches or sections of the joint co-operative committee came together they laid all their cards on the table, both before and after the report, and that what was embodied in an agreement was the result of a complete exchange by both railways of all the information they had?—A. That is hardly correct, sir.

Q. No?—A. What I said was, when policy had been determined that was true.

Q. But not until then?—A. Not until then.

Q. When did that frank exchange begin, then, in point of time?—A. When the policy of each individual one had been determined.

Q. I want to know when that was?—A. It was perfectly obvious that frankness appeared—I could not name a date, but when the joint co-operative committee sat down with the common consent of their executives, then you could make rapid progress, and we did make rapid progress.

Q. Then I am quite right in understanding that as soon as the matter got before the joint co-operative committee there was a frank exchange of information?—A. Oh, no, sir; there were lots of things before the joint co-operative committee where there was not that frank exchange because the policy had not been determined.

Q. That leads me then to this point: Will you tell us one of those cases?—A. Well, the west of Toronto pooling is one.

Q. I understand you made a report upon that, report No. 68, that there was no economy?—A. That, Mr. Biggar, is an example of how misleading a report may be without the history that goes behind it. There is a history behind that report from 1933 onwards.

Q. I suppose the report was right, though, when it was made?—A. Only in this sense. If all the conditions surrounding a pooling arrangement, which were designated as necessary by the Canadian Pacific, were granted as necessary, then that report is correct. But so far as the Canadian National section of the joint co-operative committee is concerned, I should not be frank if I did not say that there were large economies available there, and the reason that we made report No. 58 was that the executive in that particular situation had resolved not to apply for an arbitral tribunal. Therefore you had a situation on your hands. They would not apply for an arbitral tribunal, we had assignments on our hands and were just carrying on useless studies. Consequently we said, "In this situation and with all these things attached to it, there is no economy, at least no sufficient economy to make it worthwhile at this time."

Q. And that was set out in the report?—A. Yes, and we made the qualification "at this time." We pointed out to the Executive at the time that there was about \$800,000 of possible economy per year. And that is another estimate.

Q. No doubt you pointed out the conditions. What were they?—A. I can read report No. 58, the proposal:

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To extend passenger pooling arrangements to the West Toronto, Montreal-Winnipeg, Toronto-Winnipeg and west of Winnipeg territories. While complete agreement has not been reached regarding details of pooled and non-pooled services, it is agreed that under present traffic conditions the joint saving from such pooling might be expected to approximate 800,000 equivalent train miles, or \$800,000 per annum. This saving in train miles is contingent upon establishing joint stations at London, Sudbury, Winnipeg, Saskatoon, Edmonton, Calgary, Kamloops and Vancouver, and securing access to these joint stations for at least all pooled and principal non-pooled trains.

It also involves the pooling of revenues from all passenger, mail and express business in the territories affected, and probably involves freezing the proportional distribution of these revenues between the two companies.

The Joint Co-operative Committee, having considered the disturbance to traffic which would be involved and the present increasing trend of passenger train traffic which, if continued, might reduce the estimated economy, and having in mind the undesirability of freezing the distribution of such a large volume of revenue for the sake of a relatively small annual economy, recommends that no further action be taken at this time in regard to pooling of passenger train services as contemplated in this proposal.

That report was signed to get rid of an assignment.

Q. It disposed of it very effectively.—A. Well, with the reservation "at this time" and pointing out that the economy was there. But if the committee desires to go deeper into this particular thing, I have a memorandum here which is prepared for the Canadian National Executive, which details the situation leading up to the impasse.

Q. And it was on that memorandum, I suppose, that the Canadian National Executive decided not to go any further?—A. Not on this memorandum, no, sir.

Hon. Mr. BLACK: I think we had better hear that.

By Hon. Mr. Copp:

Q. This memorandum refers to No. 58?—A. It preceded No. 58 by quite a considerable time.

By Mr. Biggar:

Q. Fifty-eight is later?—A. Yes, sir. I was asked about this arbitrary tribunal. I said I would have applied for an arbitrary tribunal. This is the reason.

Q. But your Executive decided to the contrary?—A. I must presume so.

Q. Are you prepared now to set up your view against that of the Executive?

A. I am prepared to set up my personal view, yes, sir.

Q. Perhaps the committee would like to hear it?

Hon. Mr. BLACK: I think the committee ought to hear it.

Hon. Mr. COPP: This would give, as I understand it, the reason why you come to certain conclusions.

Hon. Mr. MURDOCK: Let us have it.

The CHAIRMAN (Right Hon. Mr. Graham): It is my opinion that it is the joint opinion of the Chairmen that we will be a little in the dark if we do not hear something further. We can hear too much, but I think we would like to hear this.

Mr. BIGGAR: I am afraid that perhaps we may have to open others.

The CHAIRMAN (Right Hon. Mr. Graham): I am not saying anything now about that. This may lead us to think we should hear others. We passed a statute, after weeks of work, at the request of the Government. We thought it

was necessary in order that this co-operation might take place. That section for the appointment of the arbitral board never was acted on.

Hon. Mr. BLACK: I think that is one reason why we are sitting here. We are not satisfied that sufficient co-operation has taken place. We may get some light on this.

Hon. Mr. MURDOCK: Let us have it.

By Hon. Mr. Dandurand:

Q. What is the date of that document?—A. January 8, 1935.

By Right Hon. Mr. Meighen:

Q. Would it take long to read it, Mr. Fairweather?—A. There are about fifteen pages.

Q. Perhaps it would meet the needs of the committee as well if we just put it on the record so we would all get it to-morrow.—A. I can do that.

By Hon. Mr. Dandurand:

Q. You could in the meantime give us a summary of it to run through?—A. I could do that.

By the Chairman (Hon. Mr. Beaubien):

Q. Give us the meat of it.—A. Well, subject to the possibility that I may say something that is in conflict with the exact set-up of the memorandum, something like this took place. When the Joint Co-operative Committee was first organized we—that is the Canadian National section—considered the type of economy which could be made effective most quickly. To us it seemed that should be passenger train pooling, because, generally speaking, it was the case where there was the worst duplication in service. There was the case where economies would immediately become effective, and if you made provision for substituting trains where necessary, you made it at the least inconvenience to the public, whereas line abandonments require considerable study. I think the Canadian Pacific section agreed.

We therefore turned our attention to studying train pooling, and asked the Traffic Department to estimate how much economy could be effected if all duplicate train services in Canada could be eliminated.

Q. Passenger or freight?—A. Passenger. We got a report back which said that there were about 3,600,000 train miles, which represent about \$3,600,000 of economy that might be made.

By Hon. Mr. Dandurand:

Q. Yearly economy?—A. Yearly economy. That seemed well worth going after, and we went after it. But it developed that before the Canadian Pacific would consider it at all they said that as a necessary condition of it there should be joint terminals at all the larger points, and that at Montreal all of the principal pool and non-pool trains should go into Windsor street station. Now, to people who are not informed of the broad transportation situation, that looked like a sensible arrangement. But when you looked at these terminals, you found that, in a good many cases, in order to give effect to this requirement you would have to incur large capital expenditures to get in and to make the facilities joint because where each railway had built its own station for its own needs, to bring the other railway in required the expenditure of a large amount of capital. The Canadian National took the stand that in the interests of the country at large we could make the maximum use of the facilities we had, and that if that involved a certain amount of inter-station travel, mails, express packages and passengers could be handled conveniently by taxi, motor trucks and buses, and that therefore there was no reason why this pool could not go ahead and be got going very quickly.

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The Canadian Pacific insisted that it was absolutely impossible to pool without having these union stations which meant this large capital expenditure which we did not want to face. Also there were very large operating expenses in connection with these union stations as compared with the separate stations—expenses that ran into a very sizable amount of money, two or three hundred thousand a year—and we did not see any justification for it. Moreover, we found it meant degenerating the services of the Canadian National Railways to the Maritimes. That is, the time from the Maritime Provinces, in order to get into the Windsor street station, would be anywhere from forty minutes to two hours slower than at the present time, because of the extra mileage.

We kept on arguing that for some time. Frankly, I am making an *ex parte* statement. I want that understood. There must have been reasons that appeared sufficiently important to the Canadian Pacific to prevent them from coming along with us. I am giving the situation as it appeared to the Canadian National.

Then, the next step was this. The Canadian Pacific came along and said, "We won't talk a big pool, but we will talk a small pool," and they suggested something which had been in contemplation before the passage of the Canadian National-Canadian Pacific Act—just one of those things that would come up in the ordinary course of business, such as the pooling of the fast day train from Montreal to Toronto, and the night train from Ottawa to Toronto, and cases in which there was obvious duplication. When we failed to get the larger pool, we said, "We will take the smaller one to start with, on the understanding that it will be expanded as fast as possible."

Then we settled down to work out the details of the small pool. The C.P.R. insisted on the trains running into Windsor street station. We reported to the Joint Executive, and they settled on an arrangement whereby half the trains went to Windsor street, and half to Bonaventure, so that if you left Montreal you left Windsor street, and if you came in you came in at Bonaventure.

Then we tried to get the Canadian Pacific to enlarge that pool on the broad principle. We suggested pooling by what we call "channels." We said, "There are certain channels in which there is competitive service, and there may or may not be an opportunity to reduce train service." But in order that we might have freedom of action, we suggested that from Winnipeg east we should agree to a pooling of all the competitive services, and then go about to try to clean up whatever duplication we could. The Canadian Pacific would not go along with that, but they offered in place of that to study individual pools one after the other, you see. Well, we had had experience with one limited pool, and we said, "No. There is no justification for a limited pool added to a limited pool. We want an extensive pool, and want it as fast as possible, and we want to use the stations available." Then things stalemated and we could not get anywhere until the trustees came to the Canadian National Railways. When the Board of Trustees came to the Canadian National Railways, one of the first things they did was to revise this question of train pooling.

By Mr. Biggar:

Q. The trustees were under the Canadian National-Canadian Pacific Act of 1933?—A. Oh, we were at this time, yes.

Q. But I thought the trustees came under that Act?—A. Surely.

Q. So that everything you have stated up to date antedates the Canadian National-Canadian Pacific Act?—A. No. It could be said, yes, that technically it antedated it.

Q. But actually it antedates it, doesn't it?—A. Yes, in that sense, although everything we did was in anticipation of it. When the trustees got on the property and saw the impasse we were in, they instructed Mr. Hungerford to go up and meet Mr. Grant Hall—that is, Sir Edward Beatty concurring—to see if some way out of the impasse could not be found. Mr. Hungerford took

me along with him to that meeting, and we had a frank discussion of the situation. At that meeting, after talking at large, it was more or less agreed that there was little or no economy at that time in a transcontinental pool, that is that it was something that was there but there was not enough there to be very seriously concerned about, but that there was a field for very considerable saving between Quebec and Windsor, more particularly in that there was an opportunity of doing something in the joint interest by considering the Grand Trunk western lines of the Canadian National as a feeder to both the Canadian National and the Canadian Pacific lines. As it was, the Canadian Pacific were using the Michigan Central for their connections to the United States and Chicago. Now, the Canadian National had a line going right into Chicago, with an excellent train service and excellent roadbed and capable of giving just as good a service. It was one of the elements that we thought was very desirable to develop, because it did seem foolish for Canadian railways in their difficulties to be feeding United States railways, when they could feed their own property. There was a matter there of around half a million dollars a year that could have been developed to the joint interest, and we thought it was highly important. Well, Mr. Grant Hall, while conceding the generality of the situation, stated that his company would not pool at that time west of Toronto. They would, however, pool as far as Toronto. That situation was connected with a consideration of the Montreal terminal situation. At Toronto there was a joint terminal; at Montreal there was not. Again the Canadian National proposed that the trains be divided between the stations, and again the Canadian Pacific maintained that they should be run into Windsor street.

By Hon. Mr. Casgrain:

Q. That is for passenger business?—A. Yes. We are not talking anything except passenger business. However, Mr. Grant Hall indicated what seemed to Mr. Hungerford a readiness to go beyond Toronto. We had insisted all the time that they must go through to Windsor, Ontario, and Sarnia. We said that in effect the pool should go to Chicago, but the actual train pooling arrangement should go as far as Windsor and Detroit.

By the Chairman (Right Hon. Mr. Graham):

Q. Did you mean Windsor and Sarnia or Windsor and Detroit?—A. I mean Windsor, Detroit and Sarnia. Our line to Chicago goes through Sarnia. The Canadian Pacific line to Chicago connects with the Michigan Central at Detroit. Now, the plan was that they abandon that connection with the Michigan Central and allow their passenger traffic to flow through Sarnia on our line through to Chicago, on the old Grand Trunk line. Mr. Hungerford gained the impression that the Canadian Pacific were willing to go beyond Toronto, that they were willing, in fact, to go to Sarnia and Windsor and that it was only because they desired time to study some of the implications of it that they were withholding at that time the pooling arrangement. At the same time the possibility of pooling the suburban service out of Montreal was discussed and it was agreed that that might be pooled. That was reported back to the trustees. And on the expectation, on the part of the Canadian National, that the pooling arrangement would be extended, the Canadian National went into the pool, as was suggested, that is the pool between Quebec and Montreal and Toronto. As regards the Montreal terminal, while the Canadian Pacific finally agreed to the arrangement suggested by the Canadian National, that is that the trains be divided between the two stations in this particular pool, they stipulated that it was pending further consideration, that it was not a permanent arrangement. They still maintained that all pooled and principal non-pooled trains should go into their station. They also maintained—contrary to the general principle that interest on capital should not be taken into account in these joint co-operative arrangements—that Montreal

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terminal, being such a big thing, they were entitled to a rental. This of course was a serious thing, because paying rental on their facilities would eat up our share of the economies and it would not add one iota to anything in the way of a solution of the problem—it was just simply that they maintained that they were entitled to a rental on their facilities because our facilities at Bonaventure were outmoded and outdated. Immediately the joint executive approved of the policy that Mr. Hungerford and Mr. Grant Hall had arrived at and instructed the Joint Co-operative Committee to put it into effect.

By Mr. Biggar:

Q. That is with regard to pooling?—A. That is with regard to Report No. 28, the pooling between Quebec and Toronto, and also, in co-operation with that, the older pool between Montreal and Toronto and between Ottawa and Toronto.

Q. Under Report No. 4?—A. Yes. That was abolished and was absorbed into Report 28. Now, I mentioned previously how quickly we could get something done when a policy was arrived at. That pooling arrangement is a model, if you do not mind my saying so, as to what can be done when people sit down with a common urge to do something and do it effectively. We were breaking brand new ground: there was no train pooling arrangement at all approaching it in size anywhere on the North American continent or in Europe. We got the assignment on January 5, 1934. We made our report on January 29, only twenty-four days later, and we had worked out in that time the full details of the pooling, including the method of dividing the expenses and the revenues. And I want to pat the Joint Co-operative Committee on the back, if I may do that myself, by saying that that thing has been working for four years and with the exception of one or two minor matters, no bug has been found in it so far as that particular arrangement was concerned as an agreement. But when we turned, as we did immediately, to extending the pool west of Toronto we ran into quite a different situation. We ran into a situation of endless discussion—discussion, discussion, discussion, and more discussion. It was quite evident that the study which the Canadian National thought was going to be limited in time was one which the Canadian Pacific required a great deal of time for. At times we thought we had something, and then it would blow up; and we would work at it again, and it would blow up again, over one thing or another. Then one of the things which the Canadian Pacific thought was necessary in the circumstances was that, in order to offset the question of prestige, we should withdraw from the transcontinental service.

By Hon. Mr. Calder:

Q. Do you mean across Canada?—A. Yes, or at least part of the way across Canada. They wanted us to withdraw a part of our transcontinental service, so that we would have no transcontinental service out of either Montreal or Toronto, except the pool trains operating over the Canadian Pacific. Well, we showed a willingness to examine that.

By Mr. Biggar:

Q. Are you still on your report that you spoke of?—A. Oh, yes. I have only started.

Hon. Mr. HAIG: I think you should have read the fifteen pages.

The WITNESS: We exhibited a willingness to go ahead and study that, if some satisfactory arrangement could be worked out. And I suppose, off and on, we must have studied a dozen or more plans for that. And we ran into some very real operating difficulties. But nevertheless, we said "All right, we will swallow those difficulties as long as you give us a train into Bonaventure station, a transcontinental leg into Bonaventure station. And the reason that we want it is that we are highly competitive with the United States railways operating from

Chicago to New York, not for passenger business but for express." Now, if this express landed into Windsor street station it was not possible to fit it into the train schedules that took it to New York. That traffic had a gross value of \$800,000 a year. We wanted a leg that would take that express traffic down into Bonaventure station, but for some reason or other the Canadian Pacific could not see their way free to do that. Well, we simply could not jeopardize that amount of traffic, and the result was that that, together with complications around Winnipeg and another one of consolidating trains at Sudbury, did not make a nicely operating pool, I have to admit frankly. Then the thing finally developed into such an impasse that Sir Edward Beatty wrote the chairman of the trustees a letter on October 9, 1934. Among other things he said this:

After careful consideration it has been decided by our executives that this company cannot agree at the present time to proceed on any basis heretofore suggested with a pooling west of Toronto which would involve severance of its present satisfactory arrangements with its connections for the handling of traffic to and from Chicago, because of the serious detrimental effect such pooling would have on the company's rail and steamship interests.

Even that did not get us down entirely. It was a pretty hard blow, but we went back to the C. P. R. and said, "Even if that is necessary for you to maintain your connections through to Detroit, we are willing to study that. We did study it, and we were not able to get any satisfactory pool. We tried there for months. I spent a lot of time on it myself, and we had transportation experts trying to work out some arrangements whereby we could consolidate at London and still give the Canadian Pacific their connection through Detroit. At times we thought an arrangement was possible, but it would blow up and would not be accepted. Finally we made up our minds that it was useless to go any further and this memorandum was prepared. This is the concluding paragraph of the report:—

Although studies are continuing regarding the pooling of services west of Toronto and in the transcontinental field east of Winnipeg, the Canadian National section cannot help but feel that they will prove abortive. This is unfortunate, as passenger services in this territory comprise by far the greater portion of the field for realizable economies from pooling. These economies which are being deferred are in the order of 1,570,000 train miles per year, or about \$1,750,000 per year. In view of the narrow differences which existed at one time between the two companies—

We got down to that Sarnia question as to whether or not we could protect our express business in view of the narrow difference which existed.

—the economy is one which would seem to be realizable. The Canadian National section has done everything possible in order to bring about a fair and equitable pooling arrangement. Further progress would seem to require the calling into play of the arbitral provisions of the Canadian National-Canadian Pacific Act.

By Mr. Biggar:

Q. I gathered that the negotiations you speak of were really between Mr. Hungerford and Mr. Grant Hall?—A. Those negotiations, sir, only related to the limited pool, just that one thing. That did not in any degree cut across my line of reporting, as chairman of the Canadian National section, to the joint co-operative committee; not at all.

Q. Were these other proposals discussed in the co-operative committee?—A. Yes, every one of them.

[Mr. S. W. Fairweather.]

Q. What happened to the other proposal you spoke of from Montreal, the suburban services?—A. I was coming to that. When we discovered that it was going to be a long hard fight to get the Canadian Pacific to go west of Toronto, we got a little cagey about pooling the suburban services. Let us say we wanted to hold them back for the purpose perhaps of using a little pressure, a little make weigh in a straight business deal. Therefore we said, "We are not prepared to make this thing effective until such time as you go west of Toronto." One was contingent upon the other in our minds. We said, "If you are not going west of Toronto, then we think we should reserve this."

There is just one other thing about this train pooling which I should like to make plain to you, that is, as to why this arbitral tribunal should in my opinion have been invoked.

By the Chairman (Right Hon. Mr. Graham):

Q. That is the only time you have mentioned the arbitral tribunal.—A. No, I have mentioned it at other times, but this is a particular case that I want to make plain to you. Competition is eliminated in the pool between Montreal and Toronto, and that pool is producing real economies. But I want to show you one factor that made it extremely desirable to go beyond, and that is this. The Michigan Central and the Grand Trunk—that is ourselves, the Canadian National—are intensely competitive in Chicago for business to Montreal. Their route previously was the single track line of the Canadian Pacific between Montreal and Toronto. We had a double track route. We could make better time on our double track mainline than the Canadian Pacific had been able to make on theirs. On the other hand, the Michigan Central was in a position to make better time on their line between Detroit and Chicago than we were in a position to make between Sarnia and Chicago.

By Hon. Mr. Casgrain:

Q. That Michigan Central is not many miles in length?—A. No. But the result was that by joining up our double track with the Michigan Central double track it put us in a position where any edge that we had on the thing disappeared, and instead of an arrangement working out to the diversion of United States traffic to Canadian roads, it has worked the reverse way and diverted Canadian traffic to the United States roads. The extent of this I do not know, but as a matter of fact the joint co-operative C.N. section in sending this report No. 28 on to the C.N. executive pointed out the grave fault that there was in the pooling arrangement in that it would expose Canadian business to United States competition; and there is a well formed judgment on the part of Canadian National officers that had it been a matter of previous knowledge that it was impossible to go beyond Toronto, the pool in its present form would never have been entered into. There might have been an arbitral tribunal, I do not know as to that, but the pool in its present form certainly would not have been entered into.

By Mr. Biggar:

Q. But you think the Montreal-Vaudreuil arrangement would have been out to effect?—A. The Montreal-Vaudreuil is a special thing by itself.

Q. I call attention to it because I find that while there is nothing whatever in the minutes of the joint executive of the pool west of Toronto, there is an expressed opinion on January 9, 1934, of the pooling of the Montreal-Vaudreuil commuters' service, the trains to run from and to the Windsor street station.—A. That thing was never made, as I recall it, on the basis of a report of the joint co-operative committee. The joint co-operative committee never prepared a full joint committee that I know of.

Q. No. This was at the same time as that extension of the pooling that was referred to and issued in report No. 28.—A. That is quite true. The Montreal suburban services were thrown in by Mr. Hungerford as a make weigh

at the time of this pooling arrangement and in anticipation that the Canadian Pacific would go through Detroit and Sarnia. When they would not go through it was held out.

Q. And the agreement of the Canadian National was withdrawn?—A. Yes. You will find a little later the executive minutes where there is a reference that it was withdrawn. That is the reason.

By Right Hon. Mr. Meighen:

Q. You compared progress in the United States with progress in Canada in this method of co-operative economies as well as others. Is it not a fact though, that in the United States there has been established no tribunal of any kind with compulsory powers to give effect to a plan of economy?—A. Except such powers as are vested in the Interstate Commerce Commission, sir. They are fairly large. If you read the Interstate Commerce Commission Act you will find the Commission has fairly large powers, but they have not exercised them.

Q. They would never have powers that would enable them to put into effect pooling arrangements?—A. I hardly think so, sir.

Q. Nor to abandon lines?—A. By compulsion? No, I do not think so.

Q. On the point around which all this revolves you express a view that in there was an independent tribunal of a permanent character with powers of initiation of these plans and another tribunal with powers of enforcement, more results would be attained, and the reason you give that you have not got results is that each road—your road as well as the Canadian Pacific—realizing that any economy of this kind can only be effected at the expense of popularity in sections of the country affected, is loath to take proceedings leading to compulsion to bring about these results. Would not any tribunal established by the country be subject to the very same considerations and limitations? It would be just as little anxious as you should be at least to incur unpopularity?—A. I don't think so, sir, frankly. If they have a specific authority and a specific duty from Parliament, and had to report to Parliament, I don't think so.

Q. You are charged with it now. Popularity is dearer to you than duty. Would it not be the same with them?—A. In my humble opinion they would not be concerned, that is, this body would not be concerned in that very practical slant of unpopularity that the railways are concerned in. That is all I can say on that score.

• *By Hon. Mr. Casgrain:*

Q. Was that the time you were told the C.P.R. would not use C.N. lines on account of loss of prestige? You heard that?—A. At times.

Q. You heard that?—A. That was one of the things that affected this pooling west of Toronto.

By Right Hon. Mr. Meighen:

Q. You agree that no board could possibly initiate and work out economies better than a joint board of technicians of both roads; that is to say, it is in touch with the situation from each standpoint, is aware of the facts, and therefore is nearer to the realities and can work the thing out, if disposed to do so, better than any tribunal set up which is at the same time divorced from the roads?—A. I would say, sir, this, that a tribunal divorced from the roads would be entirely ineffectual if it did not have power to compel the officers of the companies to sit in and give the benefit of their technical knowledge.

Q. Certainly. The officers are going to supply data. You are able to get at plans now. Supposing you had put forward a plan and said to the tribunal, "It should be part of this plan, when the Canadian Pacific abandon certain lines between Woodstock and Windsor, for us to abandon Bala line. By doing

[Mr. S. W. Fairweather.]

so, true, we shall be unpopular in the Bala district, and they in the Windsor district, but there is a big public saving to be effected. We cannot arrive at terms, and we ask you to say what shall be done after hearing the evidence of both railways." What in the world was there to prevent that being done? A tribunal could have done it. True, it might have been unpopular in one district just as you would have been in the other.—A. Well, sir, the "you" is not personal. I would not have shrunk from it.

Q. The "you" refers to the two systems?—A. Well, sir, I can only say that I can see a real obstacle in the way of expecting one party to initiate all of these rather odious affairs.

The CHAIRMAN (Right Hon. Mr. Graham): We have not much power here, but we want to exercise it. It has been moved that we adjourn until to-morrow morning.

Hon. Mr. MURDOCK: Is that statement going to be placed on the record?

The CHAIRMAN (Right Hon. Mr. Graham): The statement of Mr. Fairweather?

The WITNESS: I will see that you get a copy of this.

(Copy of statement referred to by Mr. Fairweather, being the statement prepared by the Canadian National Section of the Joint Co-operative Committee for the information of the Canadian National executive, filed as Exhibit No. 40.)

Hon. Mr. DANDURAND: I was wondering if we could not sit at 8 o'clock this evening.

The CHAIRMAN (Right Hon. Mr. Graham): If you do, there will be one Chairman you will not have. I am not sitting all day and half the night. I have done that for months when the rest of you were at home. We will not be a bit further on.

Hon. Mr. CASGRAIN: Oh, yes. You will be surprised at what progress is made when you are not here.

Hon. Mr. BLACK: I move that we adjourn until to-morrow morning.

Hon. Mr. DANDURAND: I should like Mr. Fairweather to answer the question put to him, and I think he should give his answer.

Hon. Mr. ROBINSON: Why tire everybody out? Adjourn till 11.

Right Hon. Mr. MEIGHEN: We want this answer.

The WITNESS: How far had I got?

By Right Hon. Mr. Meighen:

Q. You had described the natural aversion on the part of one system to take the onus of applying to a compulsory tribunal in all these matters.—A. Yes, sir.

Q. That may be so, but there is an over-riding public interest, and you more than the other road, represent the public of Canada.

By Hon. Mr. Dandurand:

Q. Did you not do so in your suggestion?—A. Oh, I recommended—well, really, sir, I feel on that, that all I could possibly do at this time would be to give my personal views. I think that particular question is one that touches so much on the directorate of the company that, with your kind permission, I would rather have them answer.

By Right Hon. Mr. Meighen:

Q. We will ask them too.—A. My personal views I have expressed.

By Hon. Mr. Casgrain:

Q. Before we adjourn, I should like to ask you—

Hon. Mr. DANDURAND: We have set 11 o'clock, and I would move that we make it a quarter to eleven so that we can start at 11.

The CHAIRMAN (Right Hon. Mr. Graham): All right, so as to give the leaders a chance to get here.

The committee adjourned until to-morrow morning at 10.45 a.m.

EXHIBIT NO. 34

MEMORANDUM IN ANSWER TO QUESTION RAISED BY THE SPECIAL SENATE COMMITTEE ON RAILWAYS AT THE MORNING SESSION, MAY 4, 1938

Question: Are Canadian Railway men paid the same wage scale as employees of United States railways?

Answer: From 1910 to 1918 the rates of pay of employees on Canadian and United States railways were practically on a parity; there were slight differences in respect to some classes. From 1918 until 1924 under the application of the so-called McAdoo Award and decisions of the United States Railroad Labour Board, which under arrangements between the Government and the Railways were also adopted in Canada, the parity of rates of pay in the two countries was even more closely established.

Changes which have taken place since 1924 have resulted in the rates of pay on the United States Railways being now from 10 to 14 per cent higher than on the Canadian Railways.

It is to be borne in mind, however, that the adjustments of rates of pay made effective during the years 1918-1924 under the McAdoo Award and the decisions of the United States Railroad Labour Board were, as specifically stated in them, based almost, if not entirely, upon changes in the cost of living.

Taking the cost of living indexes in the two countries with the year 1913 as a base at 100 (this being the base used at the time the awards were made), the latest figures available show that the index now stands at 132 in Canada and approximately at 146 in United States. On a "real wage" value the rates of pay of employees on Canadian Railways have, therefore, advanced since 1913 to a degree quite equal to the advance in rates of pay made effective on the United States Railways.

EXHIBIT No. 35

MEMORANDUM IN ANSWER TO QUESTION RAISED BY THE
SPECIAL SENATE COMMITTEE ON RAILWAYS AT THE
MORNING SESSION, MAY 4, 1938

Question: What is the explanation as to the increase in operating expenses during the period from January 1 to March 31, 1938, as compared with the corresponding period in 1937?

Answer:

CANADIAN PACIFIC RAILWAY COMPANY

At the commencement of 1937, a deduction of 10% from basic rates of pay of employees was generally in effect. The deduction was reduced to 9% February 1, 1937, 8% April 1, 7% June 1, 6% August 1, 5% October 1, 4% December 1, 2% February 1, 1938, and entirely eliminated April 1 of this year.

The increase of \$894,000 in expenses for the first quarter of 1938 as compared with 1937 is more than accounted for by the smaller percentage deductions from basic rates of pay of employees in effect in 1938 as compared with 1937. A comparison of these deductions by months follows:—

	1938	1937	Decreased deduction
January	4%	10%	6
February	2%	9%	7
March	2%	9%	7

It is estimated that the decreased deductions added approximately 1,200,000 to the expenses of the company for the first three months of 1938. Had the deductions in 1938 been at the same rate as in 1937, expenses would have shown a decrease of more than \$300,000.

It has been further estimated that if the basic rates made effective April 1, last, are continued in effect for the balance of the year the total increase in expenses owing to the change in deduction will amount to approximately 5,000,000 for the complete year.
Montreal, May 6, 1938.

EXHIBIT No. 36

CANADIAN NATIONAL RAILWAYS

Explanation of increase of \$2,294,943 in operating expenses during the first three months of 1938 as compared with the corresponding period of last year's is as follows:—

Increased wage rates	\$1,752,000	
Increased prices of materials and supplies	836,000	
Increased snow removal expense	123,000	
Increase of two days in repair shop operation	350,000	\$3,061,000

Decreases—

Maintenance of Way and Structures	\$ 162,000	
Transportation, due to increased traffic	530,000	
Miscellaneous	74,057	766,057

Net Increase \$2,294,943

SPECIAL COMMITTEE

ANALYSIS OF 28 CO-OPERATIVE PROPOSALS RECOMMENDED BY JOINT CO-OPERATIVE
COMMITTEE AND APPROVED BY JOINT EXECUTIVE COMMITTEE

(See Ex. 29)

PART I

PROPOSALS NOT INVOLVING LINE ABANDONMENTS

Report		Agreement		Subject	Estimated Saving
No.	Date	Date	Put into Operation		
					\$
1		11- 7-33	16- 6-33	Quebec—Amalgamation certain staffs.....	17, 73
2		1-12-33	1 -12-33	St. John—Amalgamation certain staffs.....	10, 16
3		3- 7-33	3- 7-33	Gladstone—Joint facilities and staffs.....	2, 80
4	7- 3-33	2- 4-33	2- 4-33	Pool trains—Ottawa-Toronto, Montreal-Toronto.....	495, 00
9	22- 6-33	13-11-33	13-11-33	Calgary-Edmonton Grain.....	60, 00
12	18- 9-33	21-10-33	1-11-33	Portage la Prairie—Joint switching.....	7, 50
20	4-10-33	1- 3-34	1- 3-34	Fredericton—Joint facilities.....	8, 89
22	31-10-33	1-12-33	1-12-33	Fredericton-Vanceboro—Freight traffic.....	9, 00
24	1-12-33	28-12-33	1- 1-34	Sherbrooke—Interchange of traffic.....	4, 41
27	19-12-33			Toronto—Joint switching.....	16, 43
28	29- 1-34	9- 3-34	11- 3-34	Pool trains—Quebec-Montreal, Montreal-Toronto, Ottawa-Toronto.....	477, 00
52	8-10-35			Ottawa—Joint facilities.....	38, 20
					1, 147, 14

PART II

PROPOSALS INVOLVING ABANDONMENT ONE LINE AND JOINT USE OF ANOTHER

[illegible]

RAILWAY CONDITIONS

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PART III

PROPOSALS INVOLVING ABANDONMENT OF ONE LINE AND CONSEQUENT WITHDRAWAL FROM TERRITORY

Report		Agreement		With- drawal by	Subject	Estimated Saving
No.	Date	Date	Put into Operation			
34	2-11-34	15-1-38	.....	C.N. 21.84 m.	Middleton Jct.—Granville Centre.....	\$ *15,454
35	5-11-34	15-1-38	.....	C.P. 16.5 m.	Linwood—Listowel.....	*29,725
38A	20-8-37	.....	.....	C.N. 56.3 m.	Louise—Deloraine.....	30,000
39	25-1-35	.....	.....	C.P. 122.4 m.	Reston—Wolsley.....	104,550
47	7-6-35	.....	.....	C.N. 22.6 m.	St. Canut—Cushing Jct.....	24,000
61	24-6-36	.....	.....	C.P. 74.1 m.	Dranoel—Medonte.....	55,700
62	6-8-36	.....	.....	C.P. 5.7 m.	St. Thérèse—St. Eustache.....	9,400
						\$268,829

NOTE.—* Figures taken from agreements. Figures from reports: No. 34—\$16,800; No. 35—\$13,000.

EXHIBIT No. 38

SCHEDULE "A"

TO ACCOMPANY AGREEMENT IN REGARD TO ABANDONMENT OF CANADIAN NATIONAL RAILWAY BETWEEN MIDDLETON JUNCTION AND BRIDGETOWN

Line to be abandoned by Canadian National Railways—Middleton Subdivision M. 53-21 to M. 68-00.....	14-79 miles
Line to be conveyed to Canadian Pacific Railway—Middleton Subdivision M. 65-62 to M. 67-08.....	1-46 "
Length of line abandonment.....	13-33 "
Connecting line to be built.....	0-43 "
Net length of line abandonment.....	12-90 "

Items	Annual Figures					
	Before Abandonment			After Abandonment		
	Canadian Pacific		Canadian National	Canadian Pacific		Canadian National
	\$	cts.	\$	cts.	\$	cts.
<i>Revenues—</i>						
Passenger.....	Nil	9 45		3 45		6 00
Freight— On Line.....	Nil	1 631 24		Nil		Nil
Off Line.....	1,542 50	39,330 67		28,360 23 (a)		13,524 52 (a)
At expense of foreign companies.....	Nil	Nil		101 41		Nil
Due to joint instead of local rates.....	Nil	Nil		636 49		1,180 40
Telegraph.....	Nil	Nil		Nil		Nil
Express.....	Nil	Nil		Nil		Nil
			40,971 36		29,101 58	14,710 92
<i>Expenses—</i>						
Train and Station Services:—						
On Line.....	Nil	4,814 55		Nil		Nil
Freight— Off Line.....	771 25 (b)	19,665 34	(b)	14,180 12 (b)		6,762 26 (b)
At expense of foreign companies.....	Nil	Nil		50 71 (b)		Nil
Due to joint instead of local rates.....	Nil	Nil		318 24 (b)		590 20 (b)
Telegraph.....	Nil	Nil		Nil		Nil
Express.....	Nil	Nil		Nil		Nil
Maintenance:—						
M. 53-21 to M. 68-00 (C.N.R.).....	Nil	12,754 91		Nil		Nil
New connection and conveyed facilities.....	Nil	Nil		1,517 83		Nil
Telegraph.....	Nil	319 28		Nil		Nil
Express.....	Nil	Nil		Nil		Nil
			37,554 08		16,066 90	7,352 46
			3,417 28		13,034 68	7,358 46

Add Other Income—

Rentals received.....	Nil	91 18	90 18	Nil	Nil
5% interest on \$6,986.00 net salvage value.....	Nil	Nil	Nil	349 30	349 30

Deduct Other Expenses—

Taxes.....	771 25	Nil	91 18	91 18	90 18
Insurance.....	Nil	Nil	Nil	3,508 46	13,124 86
5% interest on \$22,400.00 cost of alterations.....	Nil	21 50	(c)	(c)	Nil
	Nil	Nil	1,120 00	21 50	Nil
	771 25			3,486 96	7,707 76

Net Position.

Deduct net position before abandonment.....					
Improvement in net position after abandonment.....				771 25	3,486 99
Adjustment payment to be made by Canadian Pacific to Canadian National.....				11,233 61	4,220 80
Improvement in net position after adjustment payment.....				3,506 40	3,506 40
				7,727 21	7,727 20

NOTES: (a) After loss of \$619.86 gross freight revenues due to the abandonment.

(b) 50% of off-line freight revenues taken as off-line freight expenses.

(c) The lump sum payment of Canadian National taxes in Nova Scotia will not be affected by this abandonment and Canadian Pacific sidings are not taxable in Nova Scotia.

It is agreed that in order to divide as nearly as may be equally between the two companies the joint net annual savings from this co-operative abandonment the Canadian Pacific shall pay to the Canadian National annually.....

Or by a single capital sum payment of.....
 3,506 40
 292 20
 70,128 00

JOINT CO-OPERATIVE COMMITTEE

S. W. FAIRWEATHER, JOHN E. ARMSTRONG,
 Chairman, Canadian National Section Chairman, Canadian Pacific Section.

Montreal, January 15th, 1938.

It is agreed that in order to divide as nearly as may be equally between the two companies the joint net annual savings from this co-operative abandonment, the Canadian National shall pay to the Canadian Pacific:—		
In adjustment of the items noted above.....		
In adjustment of all Express matters—40% of \$6,845 82 of Express revenues diverted to Canadian National.....	\$	4,928 09
20% of 112 94 of Express revenues lost to the railways.....	\$	2,738 33
0% of 140 83 of Express revenues retained by the Canadian Pacific.....		22 59
		Nil
Total Canadian Pacific Express Revenues.....		Nil
In adjustment of all Telegraph matters.....		2,760 92
Total annual payment to be made by the Canadian National to the Canadian Pacific.....		Nil
In equal monthly instalments of.....	\$	7,689 01
Or by a single capital sum payment of.....	\$	640 75
		\$ 153,780 20

S. W. FAIRWEATHER, Chairman, Canadian National Section. JOHN E. ARMSTRONG, Chairman, Canadian Pacific

MONTREAL, December 20, 1937.

EXHIBIT No. 40

Copy of statement referred to by Mr. S. W. Fairweather, being the statement prepared by the Canadian National section of the Joint Co-operative Committee for the information of the Canadian National executive.

REPORT ON CO-OPERATIVE ECONOMIES TO BE OBTAINED FROM THE ELIMINATION OF DUPLICATE COMPETITIVE PASSENGER TRAIN SERVICES

The Joint Executive Committee at a meeting held on December 22, 1932, instructed the Joint Co-operative Committee to investigate the economies to be obtained from the elimination of duplicate competitive passenger train services and to recommend measures for bringing this about.

The Joint Co-operative Committee after discussing the subject at a general meeting on December 28, 1932, appointed a joint fact finding sub-committee consisting of the Passenger Traffic Managers of the two properties, to determine, as a first step, the amount of passenger train services which could be considered duplicate and competitive in the sense that they might be eliminated by joint services.

The sub-committee submitted a report to the Joint Co-operative Committee on February 7, 1933, which is attached hereto as Exhibit "A." This report, after pointing out that many parallel services were not competitive and could not be eliminated and also that the elimination of certain services would require substitute services in some degree, reported that approximately 3,650,000 passenger train miles per year on the two properties in Canada could be eliminated. Translated into money this is the equivalent of about \$4,000,000 per year potential economy.

While reaching fundamental agreement as to the amount of the potential economy, there were some differences of opinion as to the method of making the economy effective. The Canadian Pacific stipulated that union or joint stations would have to be arranged at a number of the larger common points such as Montreal, London, Sudbury, Winnipeg, Saskatoon, Edmonton and Vancouver. The Canadian National, while agreeing that union stations at these points might be desirable, did not feel that they were essential. The Canadian Pacific advocated that the Canadian Pacific Transcontinental service between Toronto-Sudbury, Montreal-Sudbury and Sudbury-Winnipeg were adequate for both properties and that the Canadian National Transcontinental services between these points be cancelled. The Canadian National, while admitting a degree of duplication in the Transcontinental field, held that the Canadian Pacific services would not be adequate to carry the full business and that use should be made of the shorter mileage and better gradients of the Canadian National Railways as compared with the Canadian Pacific for at least one Transcontinental train between Sudbury and Winnipeg. The Canadian National plan also had the merit of being the more economical, because the Transcontinental train between Sudbury and Winnipeg also serves the local passenger requirements of the territory, and if taken off as suggested by the Canadian Pacific, substitute local services would have to be put on which would involve considerable expense. All subsequent negotiations and studies have revolved around these differences, which have latterly been amplified by a refusal on the part of the Canadian Pacific to break passenger traffic connections with the Michigan Central at Detroit.

In discussing the sub-committee report of February 7, 1933, the Canadian National section of the Joint Co-operative Committee advocated that the

problem should be treated as a whole; that a comprehensive plan of pooling should be worked out; that, in view of the urgent necessity for economy, the first steps should be directed to working out the physical details; and that the pooled service should be put into effect at the earliest possible date, subsequent to which the adjustment of the burden and advantage as between the two properties could be worked out. The Canadian Pacific was not prepared to proceed on this basis and advocated a piecemeal approach, stating that inasmuch as co-operation was an untried method it would be unwise to embark on an extensive plan and that in any event such a plan could not be worked out without meeting the Canadian Pacific requirements for union stations at Montreal, London, Sudbury, Winnipeg, Saskatoon, Edmonton and Vancouver. A joint sub-committee headed by the Passenger Traffic Managers could reach no agreement regarding terminals. The Canadian National Section of the Joint Co-operative Committee held that the urgent need of co-operative economies dictated that the existing facilities should be used to the greatest extent possible and that the absence of joint stations at all these points did not preclude the economies being effective; however, since the Canadian Pacific stood firm in their objection, the Canadian National was willing to proceed piecemeal with the understanding that such arrangements as were made would be extended as rapidly as possible to include all duplicate competitive passenger train services.

Attention was first directed to the consideration of the duplicate competitive passenger train services between Ottawa and Toronto and the fast afternoon trains between Montreal and Toronto and negotiations culminated in Report No. 4 of the Joint Co-operative Committee to the Joint Executive Committee (Exhibit "B") which formed the basis of the first pooling arrangement which was entered into on April 1, 1933. It will be noted that the differences of opinion as regards the use of terminals crops up in this report, the Canadian Pacific advocating the installation of permanent connections between the lines of the companies at Dorval and that the Montreal-Toronto pooled fast train should arrive at and depart from Windsor Street Station in Montreal, using the tracks of the Canadian Pacific as far as Dorval and the Canadian National tracks to Toronto with its union station. The Canadian National Section held that until agreement had been reached in principle on all the Montreal-Toronto traffic, the fast train should operate to and from the Canadian National Bonaventure Station in Montreal. This difference was adjusted in the Joint Executive Committee by arranging for a temporary connection at Dorval, making the Canadian Pacific Windsor Street Station the station of departure westbound and the Canadian National Bonaventure Station the station of arrival eastbound.

Such a limited pooling arrangement was unsatisfactory, because not only were the economies (a matter of \$600,000 per year) only a fraction of the potential economies to be obtained, but also by reason of the competitive interests of the two properties which extended to all points where duplicate competitive passenger train services were still in force, so that it was not possible to ensure that the burden and advantage of the pooling arrangement was adequately provided for. The limited pooled services, connecting with the non-pooled competitive services at either end, exposed competitive traffic and the only satisfactory means of solving this difficulty seemed to be the extension of the pooling arrangement so as to cover substantially all duplicate competitive services.

The Canadian National continued to press for a wide extension of pooling. The Canadian Pacific, however, refused to consider any but piecemeal proposals and advocated as a further step a pooling arrangement between Quebec and Toronto, the suggestion being: that all pooled Quebec services would operate over the Canadian Pacific Railway with the cancellation of all Canadian National Montreal-Quebec trains; that the Canadian Pacific would cancel one of its Montreal-Toronto morning trains; that the corresponding train of the

Canadian National would operate as a pooled train in and out of Windsor Street Station in Montreal; and also that the Montreal-Toronto fast train should use Windsor Station, both for departure and arrival. This proposal was considered by the Canadian National Section of the Joint Co-operative Committee and the Canadian Pacific Section was advised that the Canadian National would consider some such proposal if the Canadian Pacific would be willing to extend the pooling arrangement to include duplicate competitive services west of Toronto and apportion the pooled trains between Bonaventure and Windsor Street Stations. Subsequently the matter became the subject of correspondence between Mr. Hungerford, as Acting President of the Canadian National, and Mr. Beatty. (See Exhibit "C.")

Negotiations continued between the two companies through the medium of the Joint Co-operative Committee and it was agreed to prepare a joint survey of pooling of duplicate competitive passenger train services in Quebec and Ontario, including the Boston services of the two companies (connecting with the Boston & Maine Railroad), but excluding the Transcontinental services. This survey was made in detail setting up the routes and schedules of the proposed pooled train services. The matter of the use of terminals at Montreal, however, was set aside. Complete agreement with this single reservation was reached. The report is attached hereto as Exhibit "D."

The problem of the use of terminals at Montreal was then approached, and will be seen by an exchange of correspondence between the Chairman of the Canadian National Section of the Joint Co-operative Committee and Mr. J. E. Armstrong, Assistant Chief Engineer of the Canadian Pacific Railway. (See Exhibit "E.") A special sub-committee of the Joint Co-operative Committee was appointed, consisting of Mr. C. S. Gzowski, Chief Engineer of Construction of the Canadian National and Mr. J. E. Armstrong, Assistant Chief Engineer of the Canadian Pacific, to report upon the adequacy of the respective terminals at Montreal, which report was rendered on July 25, 1933. (See Exhibit "F.")

This report was considered by the Joint Co-operative Committee in the light of reports of committees on passenger train pooling, but it was impossible to reach any agreement as regards what services should operate from the respective terminals. It was, therefore, agreed to report dissent to the Joint Executive as regards the use of the Montreal terminals and this was done by Report No. 10 (Exhibit "G").

It will be seen from this report that the Canadian Pacific Section demanded all the principal trains of both companies, whether pooled or non-pooled, should use Windsor Street Station. The Canadian National Section felt that the auxiliary facilities at Windsor Station were inadequate for such a volume of traffic and that there could be no justification for the expenditure of the large amounts of capital necessary for enlarging the Glen Yards and providing a fourth track between Westmount and Windsor Street Station, as well as enlarged express facilities; moreover, it would be impracticable and very expensive to arrange for the Maritime services of the Canadian National to use Windsor Street Station. The Canadian National, therefore, held that both stations be used, thereby avoiding capital expenditures and in doing so to apportion the pooled trains between the two stations in such a manner as to keep the inter-station transfer of passengers, baggage, mails and express as low as possible. The Canadian National had studied this feature and found it to be feasible, economical and efficient. Despite further negotiations carried on between the Executives, the Montreal terminal situation has remained at this impasse.

Meanwhile further studies were progressing with regard to the possibility of pooling the suburban services between Montreal and Vaudreuil and on August 4, 1933, a report of a method of pooling these services was made to the Joint Co-operative Committee.

Studies initiated on July 10, 1933, in regard to Transcontinental services were carried on and various proposals were advanced by each side and were studied, but nothing approaching agreement emerged.

On March 22, 1933, the Canadian Pacific suggested, inasmuch as it had proved impossible to arrange for the wider pooling, that their proposal of March 7, 1933, for the pooling of services Quebec to Toronto should be studied leaving out the Boston services. This proposal was seriously considered by the then Directors of the Canadian National Railways and it was resolved such a pooling arrangement would not be desirable in the interests of the property, because of the impossibility of balancing the burden and advantage. The Canadian National would have had to cancel all its Quebec services and would have lost the Montreal end of both its premier day trains between Montreal and Toronto with connections to Chicago and the Canadian Pacific would only cancel one additional lay train between Montreal and Toronto, but as far as through connections were concerned the Canadian Pacific would not sacrifice anything, because the pooled train would be using Windsor Street Station. The exposure of competitive traffic to and from points beyond the limited pool was considered too great a factor and in the absence of the willingness of the Canadian Pacific to extend the pooling arrangement west of Toronto further negotiations lapsed until the appointment of the Board of Trustees of January 1, 1934.

Negotiations on passenger train pooling were recommenced on January 9, 1934, when arrangements were made for a conference between Mr. Hungerford and Mr. Grant Hall. At this meeting the whole situation was canvassed with a view to finding some common ground. Mr. Grant Hall refused to agree except on principle to the pooling of passenger train services beyond Toronto, with regard to which complete detailed information of possible pooled services was available (See Exhibit "D"). Previous studies of the Transcontinental services had not resulted in any joint arrangements which could be considered satisfactory, and therefore further consideration was limited to the territory between Quebec and Toronto and the suburban services. After considerable discussion on the terminal problem in Montreal as affecting the situation, Mr. Grant Hall receded from the Canadian Pacific stand and agreed, pending further study of the Montreal Terminal problem, and if all of the Quebec services and one of the night pooled trains to Toronto and the fast afternoon pooled train to Toronto used Windsor Street Station, the other night pooled train to Toronto and the other pooled day train to Toronto should use Bonaventure Station. It was also agreed between Mr. Grant Hall and Mr. Hungerford that the suburban services between Audreuil and Montreal might be pooled, the pooled services to use Windsor Street Station.

The attitude of the Canadian Pacific at this meeting, with regard to the terminal problem in Montreal, seemed more conciliatory than in previous discussions. The suggested arrangement was, in fact, the Canadian National suggestion for the division of pooled trains between the terminals as regards pooling in Ontario and Quebec, excluding the Boston services and Transcontinental services. The Canadian Pacific concession seemed to remove the question of the terminal problem in Montreal from any further negotiations for an extension of the pooling arrangement west of Toronto, because it disposed of all the trains connecting with Toronto, and inasmuch as the full details of pooled train schedules west of Toronto had been jointly agreed to (See Exhibit "D"), it was hoped that the pooling west of Toronto would promptly follow; in fact, the Canadian Pacific agreed in the Joint Executive Committee meeting that immediate joint study be made of the extension of the pooling arrangement west of Toronto and in the Transcontinental field east of Winnipeg.

In the light of these circumstances, the Board of Trustees of the Canadian National Railways approved of the extension of the passenger train pooling arrangement to cover the Quebec-Montreal and the balance of the Montreal-

Toronto and Ottawa-Toronto services and the Joint Co-operative Committee was instructed to prepare details of the arrangement. This was done in Report No. 28 of the Joint Co-operative Committee (see Exhibit "H"), and the arrangement was made effective March 11, 1934.

The studies which had been agreed to were carried on, but the hopes of speedy extension of the pooling arrangement were not realized. It proved possible to reach complete agreement with regard to the details of pooled services west of Toronto with the exception of the determination of which company should operate the pooled trains between London and Windsor, which detail difference was only in connection with the balancing of disturbance to labour.

Two rather widely different plans of pooling in the Transcontinental services, however, were developed. The one advanced by the Canadian Pacific involved the Canadian Pacific operating all pooled services between Toronto and Sudbury and Montreal and Sudbury, and two pooled trains in each direction Sudbury to Winnipeg, while the Canadian National was to operate one pooled train Sudbury to Winnipeg. The pooled trains were to be switched between both stations at Winnipeg, so as to connect with the western services of each line. The Canadian National proposed that each company should operate pooled Transcontinental trains between Montreal and Ottawa, using Windsor street and Bonaventure stations respectively, and that these pooled trains should be consolidated into one pooled train at Ottawa and run preferably via the Canadian National line to North Bay and thence via the Canadian Pacific line to Sudbury. The Canadian National likewise considered that the pooled Transcontinental train to and from Toronto should be routed via the Canadian National between Toronto and Bala Park and thence via the Canadian Pacific to Sudbury. Between Sudbury and Winnipeg a pooled train would run via each line to the respective terminals in Winnipeg, with provision for passenger, baggage and mail transfer and for inter-station switching. The Canadian National did not consider that a second Canadian Pacific Transcontinental train was necessary between Sudbury and Winnipeg, but was agreeable to having this train operated by the Canadian Pacific if they so desired, as a non-pooled train.

Serious consideration was given to the detail differences between the respective proposals and it was hoped that they might be reduced to a few points which could be referred to the Joint Executive Committee for final adjustment. Negotiations at one time indicated only one essential point of difference existed, the Canadian Pacific demanding that the pooled Transcontinental train use Windsor street station exclusively and the Canadian National demanding that both stations at Montreal be used and that the trains be consolidated at Ottawa, such an arrangement being essential to adequately protect non-pooled Transcontinental express and to provide for public convenience of Transcontinental passengers connecting with passenger services using Bonaventure station. Having in mind these considerations, a special sub-committee was appointed to prepare and draft a report (see Exhibit "J"). However, when this draft was considered by the Joint Co-operative Committee on July 11, 1934, the Canadian Pacific section repudiated it and stated a large number of objections. In view of this situation, the Canadian National section of the Joint Co-operative Committee suggested that dissent be immediately reported to the Joint Executive. The Canadian Pacific section requested time to consult their executive. Subsequently the Canadian Pacific section forwarded to the Canadian National section a copy of a memorandum they had prepared for submission to the Canadian Pacific Executive and this memorandum became the subject of correspondence between the executives of the respective properties (see Exhibit "K"), which finally culminated in a letter from Mr. Beatty to Mr. Fullerton as follows:—

CANADIAN PACIFIC RAILWAY COMPANY

MONTREAL, October 9, 1934.

Honourable C. P. FULLERTON,
Chairman of Trustees,
Canadian National Railways,
Montreal, Que.

DEAR MR. FULLERTON,—I enclose herewith copy of memorandum prepared by the Canadian Pacific Section of the Joint Co-operative Committee, which, I am assured, correctly outlines the position of the various line abandonment questions referred to that Committee. These, I understand, comprise some of the subjects you would like to discuss when the Joint Executive Committee meets.

I might add, by way of explanation, that of the line abandonments which have been reported upon by the Joint Co-operative Committee (Clause 1 of the memorandum) Report No. 15, Estevan-Bienfait, recommending against abandonment, Reports Nos. 25, St. Johns-Farnham, 30, Bala-Wanup, and 31, Grand Falls-Edmundston, recommending abandonments, and Report No. 26, Linwood-Distowel, recommending that these lines be dealt with when the principles for territorial abandonment (Clause 7) have been settled, have been approved by the Joint Executive Committee. Report No. 29, Arnprior-Eganville, has not yet been approved by your Company.

I hope to be able to indicate, when we confer, the position of our own investigations respecting Canadian Pacific line abandonments in non-competitive territory. I would naturally appreciate if you would let me have a memorandum of the matters, which from the standpoint of your Company, should, in your judgment, be taken up at the next meeting.

After careful consideration it has been decided by our Executive that this Company cannot agree at the present time to proceed on any basis heretofore suggested with a pooling West of Toronto which would involve the severance of its present satisfactory arrangements with its connections for the handling of traffic to and from Chicago, because of the seriously detrimental effect such pooling would have on the Company's rail and steamship interests.

The difficulties in the way of reaching a mutually satisfactory arrangement as regards pooling West of Toronto and in Transcontinental (East of Winnipeg) passenger train services appear at present to be insurmountable and, under the circumstances, in my opinion no useful purpose will be served by our considering them further.

Yours very truly,

(Signed) E. W. BEATTY.

The Canadian National gave consideration to the Canadian Pacific's requirement that any pooling arrangement west of Toronto must be predicated upon maintaining connections with the Michigan Central, and while such a step meant foregoing considerable economy and also would mean the exposure of Canadian National pooled traffic to Michigan Central competition and a loss of revenue to Canadian National lines in the United States, the economy which could still be made seemed to be sufficient to justify a modified pooling arrangement. The Canadian Pacific were so advised and were asked if they would be willing to study such a proposal. They agreed and negotiations were re-opened for the purpose of studying a pooling arrangement west of Toronto which would maintain Canadian Pacific connections with the Michigan Central. After considerable delay, due partly to a change in the organization of the Canadian Pacific Co-operative Committee and partly from the inability to agree as to what was

to be studied and in what manner, a sub-committee was finally appointed on December 3, 1934. Study by this sub-committee has not been very productive of results, because the Canadian Pacific contended that in order to maintain satisfactory connections with the Michigan Central it would be necessary to run all the connecting services over Canadian Pacific rails between Toronto and Windsor. The Canadian Pacific refused to cancel any services Toronto to Windsor. This is directly at variance with the stand taken by the Canadian Pacific Railway in all previous joint studies and if the Canadian Pacific maintains this attitude any substantial economies from pooling west of Toronto are impossible of attainment.

A word may be added regarding the duplicate Boston services and duplicate Montreal-Vaudreuil suburban services.

Consideration of the Montreal-Boston services was deferred pending report of the United States Federal Coordinating Committee. This committee reported adversely on pooling on account of the divergence of routes in the United States, and in the light of this report the Canadian National held that it would be impossible to pool the Canadian end of the services until such time as the coordinating committee in the United States changed its view. The Canadian Pacific, however, held that the difficulties in the Montreal-Boston services turn on the question of the Montreal terminal, and if the Canadian National would agree to the use of Windsor Street terminal in Montreal, that the Federal Coordinator might be approached with regard to pooling the Montreal-Boston services. The Canadian National cannot see how the terminal situation has any bearing on the problem as far as the United States Coordinating Committee is concerned (See Exhibit "L").

Complete details of pooled services for suburban traffic have been worked out since August 4, 1933, and, as intimated in this memorandum at the meeting between Mr. Hungerford and Mr. Grant Hall, it was agreed that these services might be pooled. However, when it became evident that negotiations for the extension of the pooling arrangement would be prolonged, the Canadian National deferred putting the suburban pooling arrangement into effect, because to do so would have unbalanced the labour situation as between the two companies and would likewise have exposed considerable Canadian National traffic to competition beyond the limited pool.

Although studies are continuing regarding the pooling of services west of Toronto and in the Transcontinental field east of Winnipeg, the Canadian National cannot help but feel that they will prove abortive. This is unfortunate as passenger services in this territory comprise by far the greater portion of the field for realizable economies from pooling. The economies which are being deferred are in the order of 1,570,000 train miles per year or about \$1,750,000 per year. In view of the narrow differences which existed at one time between the two companies, the economy is one which would seem to be realizable. The Canadian National Railways has done everything possible in order to bring about a fair and equitable pooling arrangement. Further progress would seem to require the calling into play of the arbitral provisions of the Canadian National-Canadian Pacific Act.

MONTREAL, January 8, 1935.

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 7

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESS

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian
National Railways.

EXHIBITS

Exhibits A to L to accompany Exhibit No. 40.

No. 41. Report by Mr. Fairweather submitted to Royal Commission on Railways and Transportation December 8, 1931, *re* possibilities of co-operative use of facilities as between C.N. and C.P. Rys., and proposal for creation of a budgeting and planning commission.

No. 42. Submission to Royal Commission on Railways and Transportation by Mr. Fairweather on consolidation of C.P. and C.N. Rys. (Not printed.)

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, May 11, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.45 a.m.

Right Hon. George P. Graham, and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

S. W. FAIRWEATHER (Examination resumed).

By Mr. Biggar:

Mr. Fairweather, I have just had an opportunity to look at that memorandum to which you were referring yesterday afternoon, Exhibit 40, and I see that it refers to a number of exhibits which were attached to it originally?—A. Yes, sir.

Q. But which are not presently available. Can those be supplied?—A. I supplied them to Mr. Hinds.

Q. Oh, I beg your pardon. I had not seen them. They are all here?—A. Yes sir.

Q. Then we can turn directly to the next point. You referred yesterday to report 58, which is the only one of those that did not recommend action that as far as has been referred to?—A. Yes, sir.

Q. Have you got anything to say about any of the other reports that did not recommend action?—A. No sir, only to remark that they represented cases where we thought when we started that there was an economy and when we got into it we found that there were difficulties. I do not know whether under his heading you would refer to the Okanagan report or not. Of course, there is a case where we first reported an economy and subsequently, when we started to make the economy actually effective we discovered that the particular plan which we had worked out would not work, and that instead of having an economy we would have had a joint expense. So that particular report was withdrawn and was subjected to further study.

By the Chairman (Right Hon. Mr. Graham):

Q. Would you mind telling the Committee between what two points the Okanagan Valley railway runs?—A. The Okanagan Valley line is, as you know, in the Rocky Mountains. It is reached by two branch lines, one coming off from the Canadian Pacific Railway at Sicamous, which goes down as far as Okanagan Landing, which is the north end of the lake. It is also reached from the south end by the Kettle Valley railway, which is part of the Canadian Pacific. But in between the north and the south it was the practice to use the lake. Well, a line was constructed by the Canadian National from Campbell Creek, with running rights over the Canadian Pacific to Kamloops, from Campbell Creek to Armstrong, and then with running rights over the Canadian Pacific from Armstrong down to Vernon, and then a Canadian National line into Kelowna, into which the Canadian Pacific took running rights. There seemed there to be a duplication in service and we made a study of it and worked out a plan that we thought would give about \$140,000 a year economy. But

we—I am speaking for the Canadian National section—while we went ahead with that recommendation we felt that there were grave doubts that what was contemplated would be really of sufficient convenience to the public, because it contemplated an alternate service: one day out connecting with Sicamous and the Canadian Pacific trains at Sicamous, and the next day connecting with the Canadian National trains and the Canadian Pacific trains at Kamloops. So that a man wanting to travel from the north end of the valley, would find himself one day in Kamloops and the next day in Sicamous. And we thought that that would hardly be considered a convenient service. Nevertheless, there was an economy there of \$140,000, and we thought it was doubtful and therefore went ahead with it. Well, about the time when we started to have hearings with the Board of Railway Commissioners as to whether this would be a convenient service or not, it developed that we had overlooked a very serious point. In order to make this arrangement workable at all we had to allow a man who purchased a ticket at Sicamous, say, to a point called Armstrong, or Kelowna, the right to travel out of there over as far as Kamloops.

By Hon. Mr. Hugessen:

Q. On a return ticket, you mean?—A. Yes. You can see what would happen. We did not think of it, but the traffic managers pointed it out to us. A man could purchase a return ticket from Sicamous, say, to Armstrong, and could travel on that from Sicamous to Kamloops, and the result was that it broke down the whole transcontinental fare structure, and it would have been impossible to maintain the differential—that is, you could not possibly have had that loophole in there. It would have meant that a transcontinental passenger buying a ticket to Sicamous and a local ticket from Sicamous to Kamloops, and then from Kamloops to Vancouver, would have been several dollars ahead of a man who bought his ticket through to Vancouver. So quite apart from the question of public convenience, which the Canadian National thought was doubtful, there was this other feature that absolutely ruined the plan. Then we went back at it to see what we could possibly do with that limitation, and we found that there was available a measure of economy on pooling the services on the lake, but the economy was not of a large order. The economy that could be made was the economy in train service. Both companies had skinned their service on the lake down to the point where there was really not an awful lot of economy left. I am speaking from memory, but I think it was in the nature of somewhere around \$10,000 or \$12,000 a year.

By Hon. Mr. Buchanan:

Q. Has the Canadian National a service on the lake as well?—A. Oh yes, there is a duplicate service on the lake. And we thought that represented an opportunity for economy. At one time the possible economy was considerable, because both companies were running passenger boats and tugs and barges but as the depression deepened, both companies withdrew their expensive passenger boats and continued their operations with tugs and barges.

By Hon. Mr. Hugessen:

Q. Besides, there are bus services running on both sides of the lake now?—A. Yes. That enabled us to get the passenger boats off. They were expensive. When they were taken off, the field for very large economies was restricted, until such time as it becomes necessary to put new capital into new barges or new tugs. And that is the condition in which that particular report stands now. There is a small economy to be had, but I do not think at the present time it would be more than \$10,000 a year. But when it comes to a point of either company having to build tugs or barges, then there would be a chance for a fairly worthwhile economy.

[Mr. S. W. Fairweather.]

By Hon. Mr. Hardy:

Q. You pointed out the difficulties in connection with that passenger arrangement. Would that same difficulty apply to freight matters?—A. No.

Q. Could any economy be made there?—A. It was not really on the passenger service, it was on the freight service. All these trains we are talking about were mixed trains carrying both freight and passenger business.

By Mr. Biggar:

Q. Are there any other reports listed in Exhibit No. 29 that you want to mention in regard to any circumstances that is not clear in the report itself?—A. No. Generally speaking, sir, they have been dealt with, except it might be desirable to mention the particular situation which I think is mentioned in the joint memorandum about the difficulty we got into at MacTier.

Q. Yes?—A. There was a case in which we had to set aside an economy because the Railway Act required compensation to employees who had constructed houses at a terminal.

Q. Then we can go on to the possible economies that the joint co-operative committee has had under consideration, but that have not yet been the subject of any report.

By Hon. Mr. Black:

Q. I should like to ask Mr. Fairweather a question to satisfy myself with regard to the reason for the abandonment of this Kamloops arrangement. You say you might have lost something if the public became aware they could go to Vancouver by Kamloops?—A. Several dollars.

Q. What does that mean, \$2 to \$5, \$5 to \$10?—A. I would have to refresh my memory.

Q. It seems to me that if you were going to save \$100,000 you could not lose that much in the slight difference in tickets.—A. The answer to that is the passenger traffic managers of the two roads estimated that the effect upon the passenger structure would be several times the economy.

Q. You have got to follow a rule and not economy: is that the idea?—A. No, sir. We sat down with this particular difficulty and scratched our heads mightily to try and get around that point. But there is a difference between handling passengers and freight. Freight has not any intelligence; but a passenger when he steps on a train—

By Hon. Mr. Hugessen:

Q. Sometimes has.—A. Sometimes has.

By Hon. Mr. Black:

Q. I see what you mean, Mr. Fairweather, and I appreciate your evidence very much, but that is an explanation that does not appeal to me. A man in business who wishes to take advantage of economies usually finds a method of doing so. If he loses something at one end he does not allow any rule to stand in his way.—A. I do realize that it does sound to be a silly thing, and I want to say right now that when the passenger traffic managers reported this we would not believe it. We said, "Surely there is some way around this thing"; and we, so to speak, locked them up in a room and said, "It is your job to find some way out of this." They came out of it and said, "There is no way out of it. It is impossible. You cannot go to work and cut"—I think it was eighty or ninety miles or more than that—"out of your transcontinental route without having an effect upon your total passenger structure." We said, "Why do we have to say anything about it? It is true the odd man will discover it and will take advantage of it, but surely if we do not publish it the great majority of people won't know it and they will be perfectly happy to buy a ticket through to Vancouver in the ordinary way."

Q. They would get to Vancouver more quickly in the ordinary way.—A. No sir. It was not a question of service. A man could travel down to Sicamous and Kamloops; he had not to go to Armstrong at all. All he had to do was get off at Sicamous, or have a friend or anybody else buy a ticket for him, or he could get off, let us say, a train at Sicamous, buy a ticket to Kamloops, and step right on the train again and continue.

By Mr. Biggar:

Q. You suggested you had not to publish the rates and very few people would get to know about it.—A. The passenger traffic managers said, "You may be perfectly fine engineers and operating officers, but you don't know passenger traffic business. Every optional route that is at least a reduction in through fares is so well known to the people who currently travel that it is just too bad." And we had to bow to their decision in that regard.

By Hon. Mr. Copp:

Q. You were satisfied, Mr. Fairweather, I understand, with the explanation of the traffic managers in regard to it?—A. We were in this position. I am personally satisfied there was no way out of it. In order to stop this thing at one time we considered taking passenger train service off altogether and substituting buses, that is, running down from Salmon Arm. We discussed every possible means of getting over that particular difficulty; we could not do it. There was another way of getting around it. You could either abandon the Canadian Pacific Line from Armstrong to Sicamous, or the Canadian National Line from Campbell Creek down to Armstrong. That would have done the trick because then a man could not have done this particular thing in the passenger territory. But so far as the Canadian National is concerned, we could not say it could be justified in the public interest to abandon either of those lines. We made an elaborate study of the routing of freight traffic in and out of the Valley, and the Sicamous route was a preferential route and aided the people of the Valley in distributing their goods over a considerable part of the West. The other route via the Canadian National connecting at Kelowna was also a preferential route and was capable of giving better service to other sections of the country. Speaking for the Canadian National section of the joint co-operative committee, I could not recommend honestly that either line be abandoned; but that was the only way of getting out of this particular difficulty.

By Hon. Mr. Calder:

Q. Mr. Fairweather, I think you stated that the traffic managers of the two roads reported to you that if your proposal went into effect the loss of passenger business would be greater than the proposed economy.—A. Yes, sir.

Q. They reported that?—A. Yes. Initially they reported to their respective executives, then their respective executives discussed the thing and sent it to the joint co-operative committee for study. We got hold of the passenger traffic managers to see if there was not some way out of the impasse. So far as I was personally concerned in this particular thing, so long as that gap existed I am personally convinced there was no way out of it.

By Hon. Mr. Black:

Q. But you would not say the loss in passenger fares would be greater than the saving?—A. Yes, sir.

By Hon. Mr. Calder:

Q. That is what the traffic officers reported?—A. Yes. I say if there had been a margin of profit remaining it might be considered, but it ate up the whole economy.

[Mr. S. W. Fairweather.]

By Mr. Biggar:

Q. Then we can go on with the two statements of studies in respect of which there is no report. Those, I think, are shown in the chart which is referred to in paragraph 10 of Exhibit No. 29. Perhaps you can tell us what this chart is and how it came into existence in the first instance. You have a copy of it before you?—A. Yes, sir.

Q. Tell us generally how it came into existence and by whom it was prepared?—A. In the preliminary discussions which you had with Mr. Armstrong and myself, which led to this joint statement—

Q. Yes.—A. —I mentioned that I had the various committees in chart form, and you expressed a desire to have that available for the committee. I prepared this chart at your request from the data which I had.

Q. This was prepared for the purpose of the committee?—A. Yes, sir.

Q. It is in four sheets. The first, I think, is one dealing with the inquiries that have been chiefly the subject of reports; is that it?—A. These series of charts are divided up under allotment numbers. As our memorandum pointed out, we do not have under our jurisdiction all co-operative committee matters.

Q. No. But the ones that came— A. The ones that came under our jurisdiction are shown. For the purpose of convenience I will call them allotment 1, allotment 2, allotment 3.

Q. Yes?—A. This chart is divided up by allotments and simply shows the committees that were set up at various times to study the matters that were referred to us.

Q. The first of them is the one now spread out on the table?—A. That starts off with allotment No. 1.

Q. The chart extends from allotment No. 1 to what?—A. This particular one goes as far as No. 4.

Q. I have checked that by reference to the report and I find that it covers these things, as far as my observation went, in respect of which there is no report. In the first place there is the Montreal-Vaudreuil suburban services as mentioned on that chart, and you have already dealt with it?—A. Yes, sir.

Q. The next one is east of Winnipeg. Is that the one you were speaking of yesterday?—A. Yes, sir.

Q. The third one is the joint use of terminals at Montreal. Is that covered too?—A. That is covered also.

Q. Then we have this about in and out of the Canadian National station, Winnipeg?—A. That was part of the study of the transcontinental pooling.

Q. And then there is a reference to extension of passenger train pooling. Is that the one that is covered by report No. 28, or is there another?—A. What reference is that, sir?

Q. There are no numbers on the chart. There is nothing to indicate where it is.—A. You are referring to the Montreal-Boston services, perhaps.

Q. It says, "Extension of passenger train pooling."

Hon. Mr. MURDOCK: West of Toronto.

By Mr. Biggar:

Q. It is the last.—A. Oh, yes, "Extension of train pooling." That is the last of the committees prior to report No. 58.

Q. I see.—A. That Committee made its report, and it was after that that report 58 was prepared.

Q. The next thing I find that there does not seem to be any report on is Lake Head Committee.—A. Oh, yes. That is under allotment No. 3. That is a very big study.

Q. What is the position of that?—A. The position of it is that it is under study, but the study is not being pursued actively at the present time. It was laid aside for various reasons. I imagine one of the reasons was that we could

not reach a fundamental agreement as to the nature of the joint operation. That was one of the troubles. Another thing was that we were concentrating upon trying to get an agreement of the line abandonments completed. This study has been with us for a long time.

By Hon. Mr. Gordon:

Q. What does it refer to, in broad outline?—A. The Canadian National Railways at the head of the lakes has a very excellent hump yard. You gentlemen probably know very little of what a hump yard is. It is a yard in which the switching is done by gravity. It is a modern type of yard operation.

That yard is not being used to capacity. The Canadian Pacific facilities at the head of the lakes consist of what we call flat switching yards, and where you have a large volume of work to do a flat switching yard is inefficient. Where there is a small amount of work to do the flat yard is the most efficient. But when you get to a volume of business that is quite considerable, as you have at the head of the lakes, there is a definite economy in the hump yard.

We have a hump yard that has enough capacity to take in the Canadian Pacific as well as the Canadian National; there therefore seemed to be an opportunity of making available our hump yard to the Canadian Pacific to our general advantage.

By Mr. Biggar:

Q. And you have not been able to reach a basis?—A. Well, in addition to that, each company serves a maze of elevators along the water-front, and it is a very complicated situation. Now, if we consolidated that particular yard, the whole thing, so there would be no distinction between C. N. or C. P. cars going to a particular industry, there would be an economy effected. Some of that economy has already been effected by arrangements that were made locally by the local superintendents, whereby one company would switch a certain industry and the other company another.

Q. I do not want all the details. The position is that you have not really reached a basis of principle yet?—A. Well, yes.

Q. And it is still under consideration, but very slowly under consideration?—A. Yes.

By Hon. Mr. Cote:

Q. That will take three or four years, I suppose. It is a difficult problem.—A. I think it would not necessarily take that length of time to develop.

Q. In your opinion what length of time is required to solve a problem of that kind, the one under consideration now?—A. I would say that to do that thoroughly and make sure you were not taking false steps, it would take about six months concentrated study.

By the Chairman (Hon. Mr. Beaubien):

Q. Were you not breaking ground there too?—A. Yes, in a measure.

Q. It took you two years to break ground in other ways. Are you not afraid that it will take you two years here?—A. I frankly say that it could be done faster.

Q. We believe you.

By Mr. Biggar:

Q. When you say six months, do you mean by men who had nothing else to do?—A. I would say six months in the way that we went about the train pooling when we had decided on policy. We could in six months have an arrangement worked out which would be satisfactory.

[Mr. S. W. Fairweather.]

Q. I understand you to mean six months after a decision has been reached on principle?—A. Yes, sir.

Q. But you are not including within the six months the time required to reach a satisfactory principle?—A. Oh, no, sir.

Q. The next is, "Use at Yarmouth of D.A.R. facilities."—A. Yes.

Q. What is the position of that?—A. It is in this position, and I can explain—

Q. Never mind going into the details.—A. The position is that the local committee reported back in 1933, and there was a \$4,000 a year economy indicated. It was not put into effect. The reason can only be explained if we go into the express and freight situation.

Q. Why has it never been the subject of report?—A. For that reason. The Canadian National, faced with highway competition, is tending to adopt a condition under which freight sheds such as this would be co-ordinated with their own express service; and if we went into a joint station at this particular point that turned the work over to the Canadian Pacific, we would be handicapped in the larger internal problem, in which there is a very much larger economy than this—an economy involving a lot of money. Therefore this local freight shed situation was one of which, after due consideration, the Canadian National Executive said, "Until we determine our policy with regard to express and freight we will not do anything with regard to these freight sheds."

Q. The next is Halifax, "Use of Canadian National freight facilities."—A. That is the same position.

Q. "C.N.R. facilities at London, retaining Canadian Pacific roundhouse."—A. That is a special study, and is illustrative of what you face.

Q. What is the position now?—A. The position is this. When the Committee made their report they reported that for convenient use by both companies there would have to be a further large capital expenditure, and we agreed to let it aside until the whole question of line abandonment between London and Windsor was studied in conjunction with this particular thing, because this project by itself was not a desirable thing to do as it simply added to the burden of the railway instead of diminishing it.

Q. "Sudbury: Use of C.P.R. facilities."—A. The Sudbury situation was tied in with the transcontinental train service.

Q. I see.—A. Without transcontinental train service in the picture there is no economy to amount to anything.

Q. That is all I have except line abandonments, and I think they appear in another sheet.—A. Yes, sir.

Q. As far as you remember, is there anything more on that sheet which is not the subject of report, and to which I have not directed your attention?—A. No, I do not recall anything.

Q. Then we turn to the next sheet. I think it is the one underneath that. Right Hon. Mr. MEIGHEN: What are you dealing with now?

Mr. BIGGAR: The cases of possible economy that have been before the Co-operative Committee which have not been the subject of report. If the Committee does not want to go into that, I will be satisfied.

The CHAIRMAN (Hon. Mr. Beaubien): Have the amounts been ascertained?

Mr. BIGGAR: No.

The CHAIRMAN (Hon. Mr. Beaubien): They may be small.

Mr. BIGGAR: They may be small.

By Mr. Biggar:

Q. They are the cases which the Co-operative Committee has had under consideration since the last two years?—A. They are cases we have had under consideration and have not yet made a report upon.

By the Chairman (Hon. Mr. Beaubien):

Q. They are still under consideration?—A. Yes, they are still under consideration.

By Right Hon. Mr. Meighen:

Q. In your evidence before the Duff Commission you testified, if I remember right, that you estimated that \$35,000,000 of savings could be made by co-operation between the two systems?—A. Yes, sir.

Q. You have been four and a half years about it, and have saved \$1,700,000, so it would take ninety years to effect your saving at that rate. Is that correct?—A. No, sir.

The CHAIRMAN (Hon. Mr. Beaubien): \$1,200,000 and \$500,000.

By Right Hon. Mr. Meighen:

Q. I was over-generous. It would take about 110 years at the rate you are going.—A. May I make an explanation, sir, because the evidence that I gave before the Duff Commission with regard to the possibility of large scale economies has at various times been referred to, and not only as regards the possibilities of co-operation but also as regards the possibility of economies under unified management. Your question related specifically, sir, to the co-operative economies.

Q. Yes.—A. And I quoted a figure of \$35,000,000, which at the time I said was an offhand estimate. But that \$35,000,000 was subject to the same general qualifications that I made with regard to a larger estimate of \$50,000,000 to \$56,000,000, which might be expected as a result of unification. Now, the Commission was thoroughly aware of the qualifications, because they had been made very plain to them. When people see the figures without the full explanation they get, naturally, a false impression. When I say that, sir, I simply mean that that figure has to have with it the qualifications that were well-known to the Commission. There are sane and realisable economies. And I firmly believe that those economies from co-operation are economies that are well worth going after, but they are not to be measured in scores of millions of dollars. And that applies equally to the economies which might be expected from unification. With respect to this \$35,000,000—

By Mr. Biggar:

Q. It is \$30,000,000, really, is it not?—A. It is \$35,000,000, sir. Senator Meighen is entirely correct with regard to my evidence. Speaking as I speak now to this Committee, I spoke to the Royal Commission, and I said that offhand I thought that a figure on co-operation, comparable to my figure of \$56,000,000, would be in the nature of \$35,000,000.

By Right Hon. Mr. Meighen:

Q. You said you made a qualification before the Commission. What was the qualification? I did not observe it?—A. The qualifications which I made are these: "The economy if it is to reach large proportions will involve drastic abandonments of line, reduction in quantity and quality of service, particularly passenger service, and a considerable disturbance of railway labour and material market. Canada must also—this is as to the unification—be prepared to accept a risk attendant upon monopoly, the possibility of inadequate service, of inefficiency, of carelessness and of political differences arising from the creation of a large group with a common interest. The program is predicated upon a docile or practically helpless public and an equally docile or helpless staff of employees."

[Mr. S. W. Fairweather.]

Q. That is as to unification?—A. Yes.

Q. I meant the qualification as to the \$35,000,000.—A. I was going on to that, sir.

By Hon. Mr. Côté:

Q. What page are you reading from of the Duff Report?—A. I am reading from a report which I submitted to the Duff Commission. With the permission of this Committee I would appreciate an opportunity at this time to put straight the evidence that I gave to the Duff Commission on this particular matter. But speaking, for the moment, to Senator Meighen's question, the qualification that I made was a general one. It was an offhand statement, and subsequently they asked for a more detailed statement.

By Right Hon. Mr. Meighen:

Q. That is not a qualification?—A. Well, in that more detailed statement the estimate was placed at \$24,000,000 a year and there was a qualification attached to that.

Q. Your first one was wrong?—A. It was an offhand statement, sir—it was a comparable statement to the \$56,000,000, and it was given with that reservation, that it was an offhand statement. The Commission subsequently asked that it be given a little more careful consideration than that, and an estimate was put in to the Royal Commission of \$24,000,000.

By Hon. Mr. Buchanan:

Q. Was that under co-operation or unification?—A. This is under co-operation. But that was qualified again, because I said to the Royal Commission, "Not only are these figures hypothetical, they are likewise not completely realizable in an additive sense. The items so interlock with each other and the railway itself is such a large factor in the national economy that there is a tendency for the savings to become elusive." Now, there could be no clearer indication to the Royal Commission than that, as a reservation.

By Right Hon. Mr. Meighen:

Q. I do not think it is clear at all, unless it just simply cancels the estimate.—A. It did not cancel the estimate in its entirety, sir. Perhaps this other quotation will make it clearer than I could, orally—

Q. You say: we will save \$24,000,000, but because of the complicated and immense nature of our business, that saving will be elusive. That is no estimate at all.—A. Well, it had a use, after all.

Q. It misled them, apparently.—A. No, I do not think so, because I went on to say this: "Nevertheless the figures are comparable with the expected results of any program aimed at achieving very drastic reductions in railway expenses in this country, for it is a fair criticism to make that theoretical economies predicated upon drastic changes are seldom if ever realizable to the full." Now that touches, sir, upon the usefulness of my evidence to the Royal Commission, and if this body would permit me I would like to make a little statement surrounding the submission of my estimate to the Royal Commission.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Fairweather, before you do that, perhaps you could answer this question. If I understood you rightly, first of all you gave an estimate of a saving of \$56,000,000 from unification. From your explanation I gather that when you said that from co-operation you could realize a saving of \$35,000,000 that was practically a guess?—A. They were both guesses.

Q. That is all I want to know on that.—A. Quite.

Q. Then, when they asked you to go into details and give them some figures about which they could be thoroughly sure, as to the economies to be realized, you said \$24,000,000, and you added that that \$24,000,000 was a rather theoretical figure and in practice it might disappear?—A. Not entirely, sir.

Q. When you give your answer I wish you would reassure us to what extent these theoretical figures may be practical figures?—A. Well, I will give you my own opinion and I think I can also support my opinion by fairly competent authority. In my opinion, in Canada, at the present basis of traffic, there are worthwhile and realizable economies if these two enterprises that are serving Canada are forced to make the economies that are sane economies and are not absurd economies.

By Hon. Mr. Haig:

Q. Under co-operation?—A. Yes. That is my first statement.

By Hon. Mr. Dandurand:

Q. Do you say "are forced" or "are willing"?—A. I think we have had a chance to see what willingness will produce. That is my first statement.

By the Chairman (Right Hon. Mr. Graham):

Q. If they undertook these economies you have in your mind, it would be immaterial whether they did it willingly or unwillingly, as far as results are concerned?—A. Yes.

By the Chairman (Hon. Mr. Beaubien):

Q. Would you put a figure on that?—A. Well, I would not mind putting my reputation behind it, such as it is worth. I think that at the present basis of traffic, the sanely realizable economies, those economies that can be put into effect without undue prejudice to the development of this country—

By Hon. Mr. Dandurand:

Q. And under the supervision of the Railway Board?—A. Under the supervision of the Railway Board,—I think that at the present basis of traffic they might be expected to reach a top figure of not exceeding \$10,000,000 a year.

By the Chairman (Hon. Mr. Beaubien):

Q. Is that a guess again?—A. It is a guess, if you please, but it is at least a semi-intelligent guess of a man who has been studying this railway situation in this country for a matter of twenty-five years.

By Hon. Mr. Dandurand:

Q. Are you taking into consideration the difference between the present situation and that of 1930, as to economies that have already been made?—A. Yes, quite. There is the nub of it.

By Hon. Mr. Moraud:

Q. Can it be anything else but a guess?—A. It can only be an intelligent guess, sir; it cannot possibly be anything else.

By Hon. Mr. Calder:

Q. What prevents it from being anything else but a guess?—A. Well, there are certain things that are fairly definite. For instance, there is three and a half million dollars, or somewhere in the neighbourhood of three and a half million dollars, to be picked up in the passenger train pool. That is about all there is there, and that is the big one. Now, when we get all through with

[Mr. S. W. Fairweather.]

it, you may have one thousand miles of line that can be abandoned without damage to the country or without seriously handicapping the country. Under present levels of traffic, the net economy proved by numerous joint studies, the net economy that you can expect from that line abandonment, is of the order of not more than \$1,000 a mile. There, let us say, is \$1,000,000. Now, in those two items you have \$4,500,000 as fairly definite. The only indefinite thing there is how much of that one thousand miles—or let us say, if you want to stretch it, fifteen hundred miles—the Board of Railway Commissioners would approve. I do not know that. All I can do is to say what my opinion is.

Q. When you made those estimates of \$35,000,000 and \$24,000,000, had you anything like the opportunity that you have had since to make a study upon which you could base those estimates at that time?—A. Well, I have of course had five years more experience, I will say that. But I had a considerable amount of data to make an intelligent guess.

Q. A guess?—A. Yes.

Q. It could only be a guess?—A. It could only be a guess, and nobody—I do not care who does it—it could only be a guess. But now, speaking to the question—

By Hon. Mr. Dandurand:

Q. Excuse me, at that time were you under the control of the Railway Board, or has it only been since 1933 that you have had the obligation to go to the Railway Board for endorsement?—A. Oh no, that always existed.

By Hon. Mr. Moraud:

Q. Can that saving be accomplished without controlled co-operation?—A. In my opinion, as I stated yesterday, I think that these sane economies might reach, at the present level of traffic, \$10,000,000.

Q. What I mean by “controlled” is “forced.”—A. Yes. Those economies can only be made effective if somebody will initiate them in the public interest, outside the railways, as distinct from coming from inside the railways.

By Hon. Mr. Gordon:

Q. You gave us your opinion that two million dollars and a half could be saved in regard to passenger traffic?—A. Yes, sir.

Q. I am only a layman and do not know much about railway matters, but is it not a fact that when the Railway Commission make a rate for any commodity over certain distances they are guided by the shorter haul? Now, then, though you complain that railway rates in Canada are lower than anywhere else, you persist in drawing that freight over the longer route. Don't you think a far bigger saving could be made there by co-operation?—A. There are some savings. There again it is an informal guess, because one would be very foolish to say he knows all about the other company's line.

By the Chairman (Right Hon. Mr. Graham):

Q. We used to call it an “educated” guess.—A. I stand corrected, sir.

By Hon. Mr. Ballantyne:

Q. Mr. Fairweather, instead of the company having its own offices all over the world in the various centres, would it not be possible to put them together and effect a great saving? Secondly, could you not put your express companies together, and, thirdly, could you not put your telegraph companies together? I won't say anything about terminals, because that was referred to yesterday. But it does occur to me that these three proposals I am making ought to show vast economies.—A. Yes, sir, I agree. The three and a half

million dollars I spoke of in train pooling would be followed by a further economy in connection with off line ticket offices. With the competitive situation controlled, it would be possible to make some economies in those off line ticket offices. But the economies there you cannot call vast. The saving perhaps when you get down to it under present traffic conditions would amount to half a million dollars a year. In the telegraphs there is a possibility of economy under present traffic conditions of about \$600,000 a year, but it would require considerable capital expenditure.

Again, to show you the complications of this thing, you have a very delicate legal position. The economy under telegraphs could only be consummated if you merged the physical properties of the Montreal Telegraph Company with the physical properties of the Canadian Pacific Telegraph Company. Now, the Montreal Telegraph Company property we do not own, we lease, and under the lease we have an obligation to return that property unimpaired and with all improvements to its owners in 1979. If you had gone ahead and made your economy by merger, and you were faced with a liability to turn that property back, and you could not turn it back at the termination of the lease, you might find yourself in a worse position in the end than you were in in the beginning.

By Right Hon. Mr. Meighen:

Q. You could get over that by expropriation with a proper, fair and honourable remuneration.—A. I quite admit that, sir, but—

By Hon. Mr. Dandurand:

Q. Under the contract the return is 8 per cent.—A. If you want to break the contract and say there is an over-riding power which will expropriate that contract, and you determine now to set aside the lease by that means, I quite agree. When we tried it, and we did try to consolidate the telegraph companies legislation was introduced in Parliament for the purpose, but it was subsequently withdrawn.

By Right Hon. Mr. Meighen:

Q. Consolidation of the telegraph companies?—A. Yes, sir. A Bill was introduced in Parliament to do this particular thing, and it was withdrawn.

Q. It did not get to the Senate?—A. No, sir; it was introduced in the Commons. The Canadian National offered to go along with the Canadian Pacific if the Canadian Pacific would take half the risk, which seemed to be a perfectly fair thing to do. We were going to share the economy, and they should share the risks. We were unable to come to any agreement with the Canadian Pacific. So even if we had legislation, in my humble opinion I could never have advised our executive to take the risks involved.

By Hon. Mr. Dandurand:

Q. To take the risk alone?—A. To take the risk alone.

By Right Hon. Mr. Meighen:

Q. You mean the risk of damages on your contract?—A. Yes, sir.

May I go on? Facing this particular difficulty, and wanting to make this economy, negotiations were opened with the Montreal Telegraph Company to acquire their stock. That is, they were informal negotiations. We just could not get, as the saying is, to first base. You could not get anything. They felt they had a good thing.

[Mr. S. W. Fairweather.]

By Hon. Mr. Dandurand:

Q. They are receiving 8 per cent on their stock?—A. Yes. But there is a realizable economy on the telegraphs of about \$600,000 under present traffic conditions. It would require \$1,000,000 capital expenditure to make it effective; and then there would be this risk under the Montreal Telegraph lease.

By Right Hon. Mr. Meighen:

Q. But, Mr. Fairweather, there is nothing in the world dishonourable with expropriation proceedings under the principle adopted historically in this country. That could have been recommended by your company, and on the basis of such a recommendation and such an expropriation, if you save \$600,000 a year at a capital expenditure of \$1,000,000, surely it is the most obvious thing to do.

By Hon. Mr. Dandurand:

Q. But how can you expropriate when there is a contract?—A. Most of the property is in Canada.

By Right Hon. Mr. Meighen:

Q. Would the failure to take in what is outside Canada entirely break the usefulness of the service?—A. No. I do not know whether I might prejudice the position of the company if I said anything more, sir. At the present time, though, there are other factors.

By Hon. Mr. Ballantyne:

Q. What about the express companies?—A. The express companies are in this position: there is an economy somewhere in the neighbourhood of \$750,000.

By Right Hon. Mr. Meighen:

Q. A year?—A. A year, if you want to consolidate the express companies. But there you come into one of the most critical matters facing the railways, and with your permission I should like to refer to the evidence I gave to the Duff Commission on that particular point. In this country there developed two sets of freight service, one called—and this also happened in the United States—freight service, the other, express service. We are the only countries in the world—the United States and Canada—that have that distinction, as I recall it. In England, for instance, express is unknown; it is nothing but first-class freight, that is all. When the railways had a complete monopoly of land transportation it was entirely feasible to divide their business up and call one express and the other freight; but when highway competition came along and express became particularly vulnerable to highway competition, it became increasingly evident that there was within truck competitive territory no difference between express and freight. Consequently it seemed perfectly obvious, at least to me, that the companies' attitude with regard to express had to change, and that the sane thing to do was to recognize that it was nothing but a freight service. Now, if you created under co-operation a joint express company and a railway freight service C.N. and a railway freight service C.P., you would have a condition under which there would be a three-party competition in rates and services, and you would be creating a duplication instead of avoiding it. So this is what I said before the Royal Commission. I am still of this opinion, and I may say it is an opinion concurred in by the President of the Canadian National Railways. I said:—

It might be anticipated that what has been said on passenger service—

That is, the desirability of pooling—

—might apply to express service, especially in view of the consolidation of express services in the United States. The express service in Canada is in reality a specialized high-speed freight service, and in all probability will be the most effective weapon of the railways in meeting highway competition. It would appear unwise to consolidate express services without a consolidation of freight services.

In my opinion that was an undesirable thing in the public interest.

By Hon. Mr. Côté:

Q. You stated before the Royal Commission that in the United States they have consolidated their express services?—A. Yes, sir.

Q. But they have not consolidated their freight services?—A. They did this consolidation, sir, long before highway competition came along, and it is giving them a lot of concern right now.

Q. That is what I wanted to learn from you,—A. Yes, sir. They are finding in the United States just exactly the condition that was indicated in that thing there. They are finding that this consolidated express service is in many cases a thorn in the side of the railways that are part owners of it.

By Right Hon. Mr. Meighen:

Q. Why would it be so? I cannot get that. Surely they can give a better service consolidated and compete better with the trucks.—A. Well, sir, I think—well, I hardly know how to explain it, but I would say this. Perhaps I can speak frankly with regard to the situation right inside our own company. We have found it the most difficult thing in the world, having an express department right inside our own company, to keep that department on its toes, and at the same time restrict it from competing with the freight service. Naturally, you go and tell a man, "Your specialty is express," and he goes out and starts to expand his specialty. He is a business man and sees all sorts of opportunities to expand his express business, and he never thinks—he does not know as a matter of fact—that he is stepping on the toes possibly of other departments of the railway.

By the Chairman (Hon. Mr. Beaubien):

Q. Freight?—A. Yes; particularly L.C.L. business. Now, it is the duty of staff officers and executives of the company to cure that sort of thing, and it is a serious piece of work. I think the Canadian National has a very efficient express department, and they work in harmony, for the most part with the freight services; but to say they work entirely in harmony is not right. Now, that is the situation—

By Hon. Mr. Côté:

Q. If I may interrupt there. Then the result is that instead of three competitors, as you were mentioning a moment ago, the two railway freight services and a consolidated express service, you now have four, your express service, the C.P.R. express service, and your respective freight services.—A. Well, now, that leads me to the next point.

The CHAIRMAN (Hon. Mr. Beaubien): Wait a minute before you read that.
Hon. Mr. ROBINSON: He can only answer one question at a time.

By the Chairman (Hon. Mr. Beaubien):

Q. The point is this. I cannot understand why you say there is any difficulty. What you take away from the freight you give to the express.—A. If it were as simple as that, it would be very simple.

[Mr. S. W. Fairweather.]

Q. Which pays best?—A. It all depends on the rate they set and the service they give.

Q. With the rates you charge now and the service you give?—A. Yes, but it is perfectly obvious that where you have a high-class service like express competing with a low-class service like freight, and the expressman goes out after express, competing with the highways, you are giving for the same rate a higher class of service.

Q. Do you charge the same rate?—A. In directly competitive territory you practically have to. That is exactly the situation, and faced with that it has been my recommendation that within direct competitive territory the express service should be consolidated with the freight service and reduced to one unity. That is, the Canadian National freight service should be divided into two arms, the expeditious service moving on the passenger trains, and the freight moving on freight trains. They would not be in competition with each other, because they would be under the same integral control. There would be the same men soliciting traffic, the same men making rates and the same men handling the traffic. In other words, we should adopt in Canada what the Englishman has used for a long period of years, and very successfully.

We got away with this express business, and it came about in a very curious way. It was originally developed as a means of—I do not like to use the word—milking the railways.

By Hon. Mr. Dandurand:

Q. The express companies were separated from the railway companies?—A. Yes, and it was a means of milking the railways of their revenues, because the express companies got concessions to use passenger train services, and this took away from the railway's revenues.

Now, that went on during the hey-day of railway extravagance in the United States. Gradually it began to be realized that it was a nonsensical piece of business, and the railways at very considerable expense, acquired the express companies. Generally speaking, that is the situation.

By Right Hon. Mr. Meighen:

Q. Was that the case here? Were the express companies owned by officers of the railways?—A. I could not speak with authority on that, sir, but I think to some extent that was so.

Hon. Mr. DANDURAND: I may say on this score that the Canadian Express company was owned by a certain number of men who, I believe, were not very far from the interested parties in the Grand Trunk; but they were charging such high prices that a competing company was organized, and I saw them passing along St. James street on the day they went out for business. But in the meantime the Grand Trunk people had found out that they could escape the competition which the other express company would have to stand by absorbing the other company under the Railway Act, and doing their own business themselves. They did that in order to squelch competition in Montreal. Thousands of dollars of money were put into organizing a company to bring down the rates of the private express company. I remember that a very prominent member of Parliament of that time was interested in the private company, which was making money, but the company went into liquidation when under the Act the Grand Trunk absorbed the old express company.

The WITNESS: Well, sir, that explains my attitude with regard to express. I say that the sensible thing to do is to adopt the English method. And that is that.

In giving my estimate of \$10,000,000 I had taken all these things more or less into account. Frankly, as the Chairman says, it was a more or less educated guess. As traffic increased the economy would tend to increase. The reason it is only \$10,000,000 is that the companies—I cannot speak for both of them, but can speak for the Canadian National—are skinned down to bare poles, and the amount of economy that exists is not as great as one would think.

By Hon. Mr. Hugessen:

Q. It is not as great as it would have been under the conditions in which you gave your estimate?—A. Oh, no.

By Hon. Mr. Murdock:

Q. In your estimate did you take into consideration any possibility of compensation being allowed to employees?—A. No.

By Right Hon. Mr. Meighen:

Q. When did you give your evidence before the Duff Commission?—A. In the winter of 1931 and the spring of 1932, I think.

Q. Do you say that conditions now as compared to conditions then are so much worse that the same economies cannot be looked for at all?

Hon. Mr. DANDURAND: They are much better in economies.

Right Hon. Mr. MEIGHEN: That is not his argument. His argument is that those were bad days for the railways, that that was the depth of the depression.

The WITNESS: No, sir, the depth of the depression was in 1933.

By Right Hon. Mr. Meighen:

Q. But we are worse now than we were at the end of 1931 and the beginning of 1932.—A. No, sir, the depth of the depression was in 1933.

Q. Do you say that we are worse now than we were at the end of 1931 when you gave your evidence?—A. We are worse now than we were at the end of 1931, but we have skinned the machine down more.

By Hon. Mr. Murdock:

Q. The encroachments of traffic competition are worse to-day.—A. That among other things.

By Hon. Mr. Hugessen:

Q. Also, you have already realized certain of the economies in the interval.—A. Precisely.

By Right Hon. Mr. Meighen:

Q. If we are worse now than we were in 1931 and 1932, have you any hope whatever of the salvation of the railway situation? Is it not going to go continually worse, and is it not going to force something very drastic?—A. In 1931 the operating expenses of the Canadian National Railways, which were doing \$200,000,000 worth of business, were \$199,000,000. You see, it was in 1931 that I made this estimate to the Royal Commission.

Q. What time in 1931?—A. The end of 1931 and the beginning of 1932. In 1931 we had \$200,000,000 of revenue, and \$199,000,000 of expenses, and was on that basis that I made my theoretical estimate, which I still have to explain to the Committee.

[Mr. S. W. Fairweather.]

By Hon. Mr. Gordon:

Q. That was actual operating expense?—A. Yes. Now, in 1937, with almost identically the same revenue—that is \$198,397,000 as compared with \$200,000,000—the expenses were \$180,789,000. There is a reduction of practically \$20,000,000 in expenses for the same volume of traffic. I submit, that being the case, that it is entirely logical for me to say that this field of economies has been restricted under present conditions.

By Right Hon. Mr. Meighen:

Q. But those are not co-operative economies.—A. No, sir, but co-operative economies must be related to the whole field of railway operation; and if we find a reduction of \$20,000,000 in expenses in the Canadian National Railways, I submit that the field for cutting out waste or losses is restricted.

By Hon. Mr. Dandurand:

Q. And if the C.P.R. has done the same thing, and reduced by \$20,000,000, you have a saving of \$40,000,000 between the two.—A. That would be a fair inference.

Right Hon. Mr. MEIGHEN: That is not what was in contemplation when you gave your evidence.

By Mr. Biggar:

Q. If you look at Exhibits No. 11 and No. 12 for the year 1931, which you are speaking of, you will see the gross revenues and gross operating expenses of the Canadian National came practically together.—A. Yes.

Right Hon. Mr. MEIGHEN: What year?

Mr. BIGGAR: 1931.

The WITNESS: Yes. I indicated that.

By Mr. Biggar:

Q. Then you pointed out that in 1937 there was a substantial spread between them as a result of economy?—A. A reduction of expenses, yes.

Q. As a result of economy?—A. A reduction of expenses internal to the Canadian National, aided by such co-operation as we had from the Canadian Pacific.

Q. But if you look at the C.P.R. chart, you will see that there was a considerable spread between operating revenues and operating expenses in 1931, and a very small spread in 1937. Judging from these two charts it would seem to me that the reason why the two lines in the Canadian National came together in 1931 was that between 1929 and 1931 the Canadian National had not made economies at quite the same rate as the C.P.R. Have I misapprehended the effect of these charts?—A. I would say so, yes.

Q. In what respect?—A. Well, sir, to refer to those charts, may I say to you that in the preliminary discussions we had in Montreal I pointed out to you that, in my view, to take individual years and attempt to draw any conclusion from them without a detailed knowledge of the whole background—

Q. I am not taking the two railways at all.—A. That is what I am talking about.

Q. But I really do want your explanation of that. You say that in the Canadian National certain economies have been made between 1931 and 1937, and that those two curves of operating revenues and operating expenses have consequently diverged in the interval.—A. I said that, yes, sir.

Q. Well, now, is not that diversion due to the fact that there was a convergence of those two curves between 1929 and 1931?—A. Frankly, sir, all I see

in the situation is this. We have been running railways for a great many years and have been facing situations that arise from time to time. When the depression hit us we started to reduce expenses everywhere we could find them, and we did reduce expenses to such an extent that in 1937 we handled the same gross revenue with \$20,000,000 less of operating expenses. I do not see, sir, the force of the convergence and divergence of the lines; all I see is the result, that in 1931 we had a condition under which our management spent \$199,000,000 on handling \$200,000,000 of business, and in 1937 spent \$180,000,000.

Q. Would you mind looking at those two charts that I speak of, Nos. 11 and 12, at the top of page 50 of the proceedings? What I am pointing out to you, Mr. Fairweather, is this, that taking the upper two lines on the upper one of those two charts, there is a convergence of those lines between 1929 and 1931?—A. I see the convergence on the chart, yes.

Q. Then there is a divergence?—A. Yes.

Q. Now, without comparing the two railways at all, but just to see what was done by another railway, so far as its internal organization was concerned, in the same years, you have a much smaller convergence in the case of the Canadian Pacific between 1928 and 1931, and a very much smaller divergence of the two lines between 1931 and 1937. I am right in the fact, am I not?—A. You are interpreting the charts rightly.

Q. My point is this: the economies that are represented by the divergence from 1931 to 1937, in the Canadian National Railways, are economies that are internal to the Canadian National, are they not?—A. Except as regards co-operation.

Q. Well, about a million dollars has been effected by co-operation?—A. Yes.

Q. So that as far as co-operative savings are concerned, that you were speaking of in 1932, they are just as open to-day, in 1938, as they were in 1932?—A. No, sir.

Q. Why not?—A. To understand that, one has to understand such a thing as this. In 1928 it was costing us to maintain a duplicate line of track, let us say, \$2,500 per mile. Now, if you took it up you would save \$2,500. To-day we are maintaining that line of track for \$1,000 a mile. So, if you take the thing up, where is your economy? It is no longer \$2,500 a mile; it is only \$1,000 a mile.

By Hon. Mr. Côté:

Q. But these are fantastic figures you are giving?—A. No, they are illustrative.

Q. They cannot illustrate anything, because they are just fantasy.

Hon. Mr. ROBINSON: I think it is a good illustration.

By Right Hon. Mr. Meighen:

Q. But they are a contorted illustration. If your reduction in expenses, due to internal economies, is a reduction of the order of from \$2,500 to \$1,000, then the illustration you give has some weight. But your reduction in expenses is only fractional; it is only a matter of 5 or 10 per cent, and it is again brought up with the increase in wages. Therefore, all that you can attribute to the general reduction in costs is the same percentage. It does not affect your figures much at all.—A. Does this relate to my estimate of \$10,000,000 as realisable?

Q. It relates to the \$35,000,000. That can only be reduced by the percentage with which you have reduced your internal expenses.—A. Yes, but I never told the Royal Commission that the \$35,000,000 was entirely realisable, and I never told them that \$24,000,000 a year was entirely realisable. I said: If you want an estimate of drastic things, then you can compare this estimate with that estimate; but they are both estimates. And with regard to how much of them is

[Mr. S. W. Fairweather.]

actually realisable, you can only find out when you set up the machinery to go about it. And now I say that at the present time the realisable tangible economies that can be made—and this was as true at the time of the Royal Commission as it is now, except in so far as the field is further restricted—are not something measurable in scores of millions of dollars. It is not there. And again I may say this, I made that very point to the Royal Commission. When the Royal Commission asked me if I had ever made an estimate of what might be the results of unification of the Canadian National and the Canadian Pacific, I said I had made an estimate but I was reluctant to show it to them, because I was afraid that it would be misunderstood. And they asked me why. Well, I said, I prepared this estimate from the standpoint of an absolutely ruthless approach to the railway problem, without any regard to public convenience and necessity, except in so far as—that the sole test was whether you were going to put a net dollar in the till of the railway, and that was all.

Q. Do you say your estimate was understood by them as meaning without any regard to public convenience and necessity? Of course, you could save everything by wiping the railways out.—A. Of course, the country would lose money by that.

Q. Of what value is an estimate made without any regard to public convenience and necessity?—A. I can only say that the Royal Commission thought it had considerable value. That is the answer to that; they did think it had considerable value. After I had presented it as an illustration of what theoretical economies could be put down on paper, but of how difficult it was to translate them into realities,—after I had shown them that if you looked at some things that were economies from the standpoint of the railway balance sheet, they were entirely fallacious when looked at from the point of view of the national balance sheet, that is, after I showed them that you could get an economy that would show profits to the railway company but at the expense of the country as a whole, I can say this, that the Royal Commission expressed their thanks to me for having done it.

By Mr. Biggar:

Q. As a matter of fact, you put it very strongly. You said those economies were very drastic and could only be carried out with a docile and helpless public?—A. Quite.

Right Hon. Mr. MEIGHEN: And the Royal Commission thanked him for that?

The WITNESS: But I do want to make this explanation. The Royal Commission, knowing my reservations beforehand, said something like this to me: we would like to know what the implications are that go with these drastic economies. We would like to know their nature. We think it would be informative to us, because we will probably have to give consideration to this very thing. And I may say that in speaking to that very point, the Royal Commission, quite apart from the evidence that I submitted to them, sent to me a certain number of test lines which they desired me to make an economic study of, not as an officer of the Canadian National but for the enlightenment of the Commission. And I made those studies for the Royal Commission and presented them. But I want to make perfectly plain the situation: that I was invited to present this thing to the Royal Commission, with their full knowledge that it was a theoretical estimate and that these theoretical estimates had a way of being elusive. I said such things as this:—

The program contemplates, for instance, among other things, the removal of the regional headquarters from Toronto and Moncton, the partial or complete closing of shops at Winnipeg, Moncton, Toronto, Stratford, Quebec, London, and other points . . .

And I had a lot of other things in there, too.

By Hon. Mr. Côté:

Q. You quoted a few moments ago what you said before the Royal Commission on the express service. Would you mind putting on the record a quotation of what you said about the passenger service?—A. I recommended to the Royal Commission—

Q. You have it before you there?—A. Yes. I recommended complete pooling of passenger services, competitive services.

Q. Would you read it? You have it before you?—A. Yes sir. Under "Passenger Services," I said:—

Organize a passenger transport company to handle all passenger business of the Canadian National and Canadian Pacific Railways. This Company would own all passenger trains car equipment and station facilities used exclusively for passenger business. It would determine the quality and quantity of service, and would carry on the necessary advertising, and would issue and sell tickets. Each railway would be reimbursed in bonds for property turned over to the new company and would be paid for the transport of cars at a figure as near the actual cost as could be arrived at, the total car mileage being equally divided between each system. The profit or loss at the end of the year would be divided equally. This proposal has the advantage of completely eliminating the destructive competition in passenger service. The public would be protected against unfair service on account of highway and air transport, and in transcontinental service by competition afforded by United States railways.

Q. Have you the same views to-day?—A. I have the same views to-day, sir, except this, that I do not think that the machinery needs to be as elaborate as I suggested. I think that a pooling of competitive services is all that is necessary.

By Hon. Mr. Dandurand:

Q. Will you continue your statement as to the study you were asked to prepare for the Royal Commission?—A. Yes sir. They asked me to study eight lines where there was an obvious economy from a railway standpoint, such an apparent economy that the Commissioners could see, having gone over the lines, that there would appear to be an economy in doing something. And they asked me, not as a Canadian National officer but as one having some knowledge of these things, to try and show them the picture on the national balance sheet, as compared with the railway balance sheet, and I did it.

By Mr. Biggar:

Q. Suppose you did it to-day in just as ruthless and drastic a way as you did it in 1932, would there be any reason why the difference should be greater than the percentage drop in traffic?—A. Well, the percentage drop in expense, I would say, would be the test, sir.

Q. As a matter of fact, a good deal of water has gone under the bridges since 1932, so that we do not get very far in examining in great detail how a figure was arrived at six years ago. But as to the estimate you now give of \$10,000,000, could you indicate generally how that was made up?—A. Well of course, you understand, sir, that in the \$56,000,000 estimate—

Q. I am speaking of your estimate of \$10,000,000 now. I will try to forget what happened six years ago.—A. I will try to make this plain, because I am above all desirous of being understood. If I am not understood I am of very little value. The \$35,000,000 estimate of co-operative economies, the \$50,000,000 to \$56,000,000 estimate of theoretical unification economies, and the \$24,000,000 estimate of co-operative economies that I gave to the Royal Commission

[Mr. S. W. Fairweather.]

were all of one order: they were theoretical; they were drastic; they had things in them that in my opinion were not realisable; and I told them that.

Q. You do not like my word "ruthless"?—A. Well, what I am coming to, sir, is this. The \$10,000,000 that I am quoting this morning is, in my opinion, after five years' study of this thing, what one could sanely get out of the picture without doing those things which would be terribly disadvantageous to this country. Now, I want that distinction understood.

Q. It is no longer a ruthless estimate?—A. No. That is what I wanted to make clear, that if the two companies, either under compulsion or voluntarily, would really get together and try to make economies, they could get, in my humble opinion, without damaging either property or the country, they could get economies of the order of around \$10,000,000 a year. If they go beyond that, then in my humble opinion whatever economy you got on the railway books you would take a debit for on the other side of the picture; that is, the country would suffer.

By Hon. Mr. Murdock:

Q. Would not that \$10,000,000 to some extent be still theoretical? You could not say conclusively that it would be so, an actual saving?—A. I can only say in general terms what I think it would be.

Q. But it would be a theoretical estimate?—A. As an honest opinion for what it is worth, that is what would result. But frankly it is an educated guess.

Q. And that would not take into consideration displacement of men?—A. No. If you entered on that program with an obligation within that limited scope you compensate labour for its being displaced, and if you took into consideration also compensation of industries that would be dislocated, then you would not come there at \$10,000,000. I quite admit that. But I do say this. It is based on an expectation that railway labour would have to take its chance with every other type of labour in the country. When a factory finds a better way of doing its work, it fires some of its men, and it does not have to compensate them.

Q. In other words, you would have to make a contribution and the public would have to make a contribution?—A. Yes.

By Hon. Mr. Gordon:

Q. Assuming a hypothetical case, Mr. Fairweather, a very large plant situated at Ottawa and turning out a commodity which both railways are desirous of transporting. The Railway Commission establish a rate from there to Toronto, say, of 25 cents a hundred pounds. The C.P.R. has the shorter line.—A. To Toronto?

Q. This is a hypothetical case.—A. Oh, yes, quite. I beg your pardon.

Q. The C.P.R. is the shorter line by 150 miles to Toronto?—A. Yes, sir.

Q. The Railway Commission establish that rate on the basis of the shorter haul, don't they?—A. Generally speaking, yes, sir.

Q. That, I think, is the way it is done. Now, then, the other line of railway, which is 150 miles longer, of course, send out their men who are looking after transportation, and they endeavour to get as much of that freight as they can, and they get a lot of it because they transport it at the same rate. Is not that poor business? Should there not be some way of co-operation between the two companies by which the shorter route would be equalized for that purpose, and not the longer?—A. Yes, sir.

Q. You can give innumerable cases like that?—A. Yes, there are examples of that in Canada. But it so happens that in Canada we are free from the curse of that vicious practice, because I do not think you can give examples between Canadian points where there is that large discrepancy in mileage of which you speak.

Q. Yes, I can.—A. There is not very much traffic moving over such circuitous routes as that.

Q. But there is.—A. I should like an example.

Q. I know of such an example. I know where a company is drawing commodity on a short distance, over 100 miles, and their rate is just the same.—A. It must be a very particular condition. But I do say this. I agree with you entirely that one of the things co-operation can do is to eliminate a vicious practice of that character, and it can do so quite effectively. Also there are opportunities that are not related to distance, but to grade condition. For instance, you may take a line—let me take the classic example of the line between Sudbury and Winnipeg. The Canadian National has a low grade line. On the Canadian Pacific the grades are not as favourable. I have always thought that a co-operative arrangement might be worked out whereby the country could have the advantage of all the traffic of the low grade route via the Canadian National, because low grade versus high grade routes may be even more important than a longer line haul.

Q. But you don't need to go that far. In Ontario and Quebec you will find conditions just as I have stated. It seems to me a great economy could be effected by the roads getting together and allowing all the traffic to go by the shorter route.—A. I agree it is the desirable thing; but I do not think it is measurable in very large amounts.

Q. I know of several.

By Hon. Mr. Calder:

Q. Mr. Fairweather, with regard to your present estimate of \$10,000,000 economies, is that also based on the assumption that there will be a body to enforce those economies?—A. Yes, sir.

Q. That is, it is not based on existing conditions?—A. If this situation left in the condition—

Q. That it is in now?—A. —that it is in now, in my humble opinion you would not get your \$10,000,000 if you waited for fifty years.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Fairweather, along with a great many people, I suppose the Dominion Commission might have been a little bit disappointed when you gave them your firm estimate of \$24,000,000. I understand conditions have changed now and we have come down to a possible estimate of \$10,000,000. It is very important you should break that up in order that we can best judge of the value of your estimate. Don't you think so?

Hon. Mr. MURDOCK: I do not think that is fair. It is not a firm estimate, it is a qualified estimate.

By the Chairman (Hon. Mr. Beaubien):

Q. Well, a qualified estimate. Will you break that up as you offered to do a moment ago?—A. Gladly, sir. But I qualified the breaking up with this statement, because apparently I did not make myself plain. The \$24,000,000 estimate to which you refer carried with it qualifications.

Q. Oh, yes, I know that.—A. Now, then, the shrinkage between \$24,000,000 and \$10,000,000 is not a shrinkage due to difference in conditions. It is shrinkage simply due to a man saying, "If you want a drastic policy, there it is and if you want a sane policy, here it is." There is in that policy, I admit, partly the effect of the reduction in expenses which has already taken place. Now if that is clearly understood—

[Mr. S. W. Fairweather.]

By Right Hon. Mr. Meighen:

Q. Mr. Fairweather, I do not think you are putting this matter very clearly. In the document I have before me, which I think is from the Duff Commission, you put your \$35,000,000 estimate as having been made to Sir Henry Thornton in a paper submitted to him about November 30, 1931. I have run over as carefully as I could this paper, which is quoted in the Duff Report, and it does not paint this \$35,000,000 as something purely theoretical, as something that could only be done, as Mr. Biggar expressed it, assuming a docile and helpless public, something of a ruthless character. This paper reads as if it was a deliberate carefully thought out plan from beginning to end. It does not bear any of the qualifications you submit now. Why would you be submitting to Sir Henry Thornton something that was purely theoretical, ruthless, impracticable of operation, assuming a docile and helpless public? There would be no sense in such a submission.—A. The sense in it, sir, is this, that in the Royal Commission drastic estimates of economies were flying around pretty thick.

By the Chairman (Right Hon. Mr. Graham):

Q. And they were all guesses like your own?—A. My guess was designed to show that if you wanted to get drastic economies, why, there you are.

By Right Hon. Mr. Meighen:

Q. This estimate was made to Sir Henry Thornton?—A. It is true it was made to Sir Henry Thornton.

Q. Why would you be guessing to Sir Henry Thornton and giving him theoretical stuff?—A. Sir Henry Thornton was a prospective witness before the Commission.

Q. You would be giving him something you thought of value?—A. Sir Henry Thornton thought it was of value.

Q. It was not a guess you submitted to the Commission. It was a paper you submitted to Sir Henry Thornton about November 30, 1931, an elaborate paper outlining what you thought could be done to reach an estimated saving of \$35,000,000. I could not believe the Royal Commission would take that chance, hazarded guess, something that was purely theoretical and assumed a docile public. They certainly would not accept that. On the contrary, it was regarded as a carefully prepared paper submitted by you to Sir Henry Thornton, and then put before the Commission and incorporated in its record.

Hon. Mr. MURDOCK: And which could be under any circumstances only a guess, because there is no living railroad man who could state precisely what economies could be effected.

Right Hon. Mr. MEIGHEN: The paper speaks for itself.

Hon. Mr. MURDOCK: It could only be a guess.

Hon. Mr. DANDURAND: I suggest that Mr. Fairweather read that document after the adjournment.

By Hon. Mr. Côté:

Q. No. Mr. Fairweather has it before him. That is the document he quoted to me a moment ago.—A. I really would like to see the document if I may.

By Mr. Biggar:

Q. You have the report that you made to Sir Henry Thornton?—A. I certainly made a report to Sir Henry Thornton. I made many reports to Sir Henry Thornton. I would like to see this particular one.

Right Hon. Mr. MEIGHEN: This is printed at page 32, volume 1, of the Royal Commission's record.

Hon. Mr. MURDOCK: I do not think a witness could give evidence on a report he has not seen.

Hon. Mr. DANDURAND: I would suggest we adjourn until this afternoon.

By the Chairman (Hon. Mr. Beaubien):

Q. We are going to adjourn now until this afternoon. Will you be good enough, Mr. Fairweather, to break up the amount of \$10,000,000 of economies that you have estimated, so that when we come to form our own judgment we shall be in a better position to do so.

By the Chairman (Right Hon. Mr. Graham):

Q. I should like to see the other gentlemen who gave estimates break them up too.

Hon. Mr. MURDOCK: Shall we have all of these estimates broken up before this committee gets through?

The CHAIRMAN (Hon. Mr. Beaubien): You cannot make estimates unless you break them up.

Hon. Mr. MURDOCK: There is a \$35,000,000 estimate. I should like to see it broken up.

The committee adjourned until after the Senate rises this afternoon.

AFTERNOON SITTING

The Committee resumed at 4.50 p.m.

S. W. FAIRWEATHER (examination resumed):

The CHAIRMAN (Right Hon. Mr. Graham): All right, Mr. Biggar.

By Mr. Biggar:

Q. Mr. Fairweather, did you look at that report that Senator Côté asked you to look at before the adjournment?—A. Well, Senator Côté came to me this afternoon and said that what he was referring to was an abstract of my evidence before the Duff Commission, and—

Hon. Mr. CÔTÉ: Page 32.

The WITNESS: It starts at page 32 and continues to page 43. That is what Senator Côté said he had reference to.

Now, that relates to my evidence before the Duff Commission, and the genesis of it simply this. After I had presented to the Commission this theoretical estimate of unified management, with all its implications, they asked me whether I had given any thought to what really might be done, and I said I had, that I had advised Sir Henry on the matter. It is to that that pages 32 to 42 relate. In that I discussed in general the principle of co-operation and the principle of enforced co-operation.

By Mr. Biggar:

Q. Coercion?—A. You could call it coercion if you pleased. I said quite plainly in it that it was too much to expect that these things I had detailed in here would be brought to result unless there was an over-riding power. I pointed out also in that that the over-riding power would be much more effective in reducing transportation costs in good times than it would be in bad times.

[Mr. S. W. Fairweather.]

Q. Now you are quoting.—A. I am giving a digest of the thing as I recall it.

Q. Subject to what the Committee may think, perhaps the most satisfactory thing to do would be to put in just so much of that report.—A. I would suggest, sir, and Senator Coté suggested also, that perhaps the whole thing should be put in the evidence, and that—

Q. Would cover the ground?—A. Yes, sir.

The CHAIRMAN (Right Hon. Mr. Graham): To overflowing?

Hon. Mr. COTE: It is not very long.

Mr. BIGGAR: It is a matter of 15 typewritten pages.

Hon. Mr. COTE: Eleven pages.

The CHAIRMAN (Right Hon. Mr. Graham): I have no objection.

The WITNESS: It is from page 32 to 43, inclusive, and I would like to pursue the angle.

Mr. BIGGAR: Shall I put this in?

The CHAIRMAN (Right Hon. Mr. Graham): Shall we put this in?

Some Hon. SENATORS: Carried.

(Report submitted by Mr. Fairweather to the Royal Commission on Railways and Transportation on December 8, 1931, *re* Co-operative Use of Facilities between the C. N. R. and C. P. R., filed, marked Exhibit 41.)

By Mr. Biggar:

Q. Now, Mr. Fairweather?—A. Well, in order that the Committee may thoroughly understand the situation, I want to say this. This morning when I referred in general terms to a possible \$10,000,000 as being realizable, I qualified my remarks by saying that that was what could be done under existing conditions. I also intimated that with increasing traffic that economy would expand. It would expand for two reasons, and would reach quite sizable proportions. Ten million dollars may not appear to be a very large figure, but that is roughly my idea of what it would be under existing conditions.

There are two reasons why it would expand. The first is that you find these redundancies and duplications in greater volume when business itself expands. For instance, at the present time there is about 3,000,000 miles of, let us say, duplicate passenger train service; but if that had been examined back in 1928, when the business was much larger, you would have found a much larger amount of duplicate passenger train mileage. That is one factor. I just give that as an illustration.

The other thing is this. A good many economies which are perfectly sound in themselves and capable of yielding economies worth while, require the expenditure of very considerable sums of capital, so that it is not considered advisable to embark upon them in times of financial stress. As business improves and there comes once more the opportunity to embark upon measures of that kind, things which at the present time are not considered worth while become sufficiently productive to make them effective. We have already had several cases of that in the Joint Co-operative Committee, cases where we looked up an economy and found it there, but an economy which was not there in sufficient degree to give any relief in a period of depression. You would spend more money in making it effective than you would get back in a short period. As a matter of fact, we had instructions from our Executive that unless a co-operative economy was of such a nature as to yield a net return of 20 per cent upon the expenditures necessary to bring it into being, it was not to be proceeded with.

When I mentioned the \$10,000,000 I did so having that in mind, so I could not want the Committee to feel that when I spoke of \$10,000,000 it was a fixed quantity. It is not a fixed quantity.

Q. At the moment we were on this one—A. Yes, sir, that is what I am speaking to.

Q. That is \$35,000,000, not \$10,000,000.—A. It was \$35,000,000.

Q. Yes.—A. Now, the reservations that I attached to it were that it was difficult of accomplishment and that a large amount of capital is required in things of this character. But I did say to the Commission, and I think it is true—let us say if there is a degree of improbability, a high degree of improbability in the \$56,000,000 as I said, and I frankly said that—

Q. Let us come to the \$35,000,000. We will have to come to the other.—A. I wanted to say that the improbability that existed with regard to the \$35,000,000 was less than the improbability of the \$56,000,000, and that as you get down further and further you get nearer and nearer reality, until you finally get to the real thing.

Q. What I wanted to know is: are the qualifications sufficiently stated in that extract from the proceedings of the Commission?—A. With what I have said now and what I have given in evidence, yes, sir.

Q. Then perhaps I had better just call your attention to the heads of that and ask you whether in the interval your views have changed. The first general heading is with regard to passenger traffic, that is on pages 35 and 36. There is no change in your views on that heading?—A. Except as I said this morning, that I now think that the elaborate set-up that I made there, of a corporation to do it, is not necessary.

Q. What about Consolidation of Pacific Coast Steamships, page 36?—A. I still think that is desirable, personally.

Q. And the Hotel Arrangements, pages 36 and 37?—A. I still think that is a desirable thing.

Q. And the Consolidation of Telegraphs, on page 37?—A. I still think that would be desirable.

Q. And not the Express?—A. In my report I withheld Express.

Q. And with regard to Freight, Joint Terminals at Montreal, Toronto, Lakehead, Saskatoon and Vancouver?—A. Yes, sir, I still hold that view, but there is a case where capital expenditure at the present time precludes it. There is a case where money spent in modern terminals will, in my opinion, yield at least twenty-five per cent on the capital invested in them. There is an opportunity there, but it will have to wait until—

Q. It is easier to get capital?—A. Yes.

Q. And with regard to Blanket Waybilling and Clearing House?—A. Yes, sir, I still think that is desirable. As a matter of fact, we did put in one example of that, between Kamloops and Calgary, and Kamloops and Edmonton. I still think it is a desirable thing.

Q. And you have dealt with the Use of Joint Lines?—A. Yes, sir.

Q. What about Interchange of Equipment?—A. Well, what item is that?

Q. That is the last, page 39.—A. Just what did I say about it?—A. Oh yes, item (d):—

Establish an arrangement for the interchange of locomotives and car equipment designed to minimize empty car mileage and foreign car per diem payments and investment in locomotive equipment.

There is a field for that, but it is perhaps not as attractive now as it was the reason being that the two railways have made quite satisfactory arrangements which in effect have produced the economy that I contemplated in item (d), so far as car equipment is concerned. That is, without the formality of an agreement the two companies have working arrangements between themselves which approximate to what I was aiming at in item (d), in so far as car equipment is concerned. With regard to locomotives, that was another

[Mr. S. W. Fairweather.]

natter, and I think that in periods of peak traffic, to the extent that one company has a surplus of locomotives, I think there is a realisable economy by exchanging them.

By Hon. Mr. Murdock:

Q. Do the two companies charge each other a per diem allowance for the use of each other's cars?—A. Yes, but that is a bookkeeping entry.

Q. But is it not a large item of bookkeeping?—A. Well, the bookkeeping cost actually is not very great there, for the simple reason that while we might abolish it between the two companies we have got to have it for other purposes and for all United States roads. We have on our lines the cars of practically every railway on the continent, and our cars are on the lines of practically every railway on the continent. Consequently, we have to have this accounting machinery, anyway, and the keeping track of it in an accounting sense is not part of the picture.

By Mr. Biggar:

Q. Do you agree with what you said then on the subject of water and road transport, page 40 and following?—A. Well, I said:

Other opportunities for substantial economy would result from co-operation in advertising. . .

part of that has been arranged. As far as advertising can be done that does not involve the advertising of the individual railways, that is in effect now. It was not done formally by co-operation, but it was done informally. Then said:—

Properly carried out, the above suggestions would result in very substantial economies, approximating those which might theoretically result from complete consolidation, without the attendant dangers of monopoly. To round out the situation, however, it is necessary to deal constructively with highway and water transport. Water transport on a subsidized basis has been very active in Canada and is to a considerable extent directly competitive with railways. Vast amounts of money have been expended upon canals, . . .

Q. I do not want to take time about that.—A. Do you mind if I read it myself now?

Q. I just wanted to know if there is any criticism which you wish to make of it now?—A. I have to read it, to see exactly what I did say. I will read it to myself, sir.

The CHAIRMAN (Right Hon. Mr. Graham):

Q. That will be stingy.

The WITNESS: Then I will read it aloud sir. I said:—

Vast amounts of money have been expended upon canals, channel improvements, and harbour facilities, and those facilities are in general made available without a specific charge on the traffic, the cost being absorbed in the general tax rate. Water transport will be further intensified when and as the great waterways are constructed. Although not a present pressing problem, in that it has been a continuing factor, the equity of this competition must be thoroughly questioned.

tell, sir, my views on that—

Q. Have not changed, or have they?—A. Well, they have changed, and they have changed for the worse. And I will tell you why. Until the construction of highways, water carriers in this country were limited in their

effective competition with railways by the necessity of having an interchange with railways, if they wanted to reach anything except port-to-port traffic. With the development of good highways and the development of unregulated transport, it is now possible for water carriers, in combination with highway carriers, to extend their field of competition upon a subsidized basis, and unregulated basis, far beyond the scope that existed when this comment was made. Therefore the problem which I saw at that time as a continuing but not very acute problem, has in the interim become decidedly acute. And in my humble opinion the Bill as introduced, dealing with agreed charges, is one of those forward steps that I think should be taken, and which I had in contemplation at that time. That of course really deals with highway transport also.

Q. You had better deal also with the other estimate, which I think you did not lay before the Duff Commission in writing; but what you said to the Commission was based upon a memorandum prepared for Sir Henry Thornton on November 27, 1931? Perhaps you have that memorandum?—A. No, I have not got that memorandum with me.

Q. Could we get that memorandum?—A. I will endeavour to get it.

Q. That would be the most convenient way to have it?—A. Just what are you referring to now, sir?

Q. I am referring to the estimate that was for \$50,340,000 of savings, on the basis of the 1931 traffic.—A. Of course, that is quite a voluminous document.

Q. Perhaps it is all the better for that.—A. I have a copy of it here. I have a copy that I could make available.

The CHAIRMAN (Right Hon. Mr. Graham): What shall we do with that document? What do you think we should do with it, Mr. Biggar?

Mr. BIGGAR: I have not seen it. This is the report to Sir Henry Thornton on which I understand Mr. Fairweather based what he submitted to the Duff Commission.

Hon. Mr. MURDOCK: Why clutter up the records of this Committee with something that is entirely obsolete and out of date, based on changed conditions that have come about since 1931?

Mr. BIGGAR: That is a view that I had at one time, but I am now informed that an estimate made on the basis of a year of normal traffic—and part of that estimate was made on that basis—is just as reasonable to-day as it was then.

Q. What do you say about that, Mr. Fairweather?

Hon. Mr. PARENT: Will you excuse me? Whether it is a report made to Sir Henry Thornton or a report that Mr. Fairweather prepared for the general benefit of the country, it would seem to me that if the document were produced and made part of the evidence it would speak for itself and might be of some use to those who are going to read the record. Consequently, I see no possible harm in having it in the record.

Right Hon. Mr. MEIGHEN: It is filed as an exhibit now, is it?

Mr. BIGGAR: No. We are speaking of the estimate of \$50,000,000 to \$56,000,000.

Right Hon. Mr. MEIGHEN: Why not file it? I would agree with Senator Murdock, that there is no use in having it printed all over again.

Hon. Mr. HAIG: If it is filed and we want to look at it, we can look at it.

Mr. BIGGAR: Oh, yes, and have it printed.

Some Hon. SENATORS: No.

Right Hon. Mr. MEIGHEN: I am not anxious to have it printed.

The WITNESS: I can make a copy available to the committee.

The CHAIRMAN (Right Hon. Mr. Graham): What shall we do, gentlemen?

[Mr. S. W. Fairweather.]

Hon. Mr. CÔTÉ: If that statement contains the break-down figures of the \$50,000,000, I think it would be very desirable to have it on record.

Hon. Mr. CALDER: It would not be of any particular value when you got it. Those estimates were made some years ago and have all gone by the board. We have had all sorts of evidence from Mr. Fairweather to the effect that those were only guess figures. He tells us to-day very plainly that he could only look forward to a \$10,000,000 economy. What is the use of going back into the \$50,000,000 estimate made at that time? It is all right to know about it, but to give any particular attention to it after the evidence we have had is, as Senator Murdock has said, only cluttering up the situation.

Hon. Mr. CÔTÉ: The \$10,000,000 estimate Mr. Fairweather gave to-day is in connection with co-operative savings; whereas the \$50,000,000 figure was in connection with unification.

Hon. Mr. CALDER: But you will find exactly the same situation, as I see it. In the first place, there was an estimate of some \$50,000,000 odd of savings to be effected by unification. The \$35,000,000 odd was based very largely on that estimate.

The WITNESS: Yes, they were based on a knowledge of both.

Hon. Mr. CALDER: One followed the other. Take the \$35,000,000 estimate made at that time. In so far as Mr. Fairweather is concerned, it is reduced to \$10,000,000, and that \$10,000,000, he says, could only be effected by compulsion. That is the situation to-day. Why go into past records? I think we are only sawing the air; it will do us no good.

The CHAIRMAN (Right Hon. Mr. Graham): It would be on file to those sufficiently interested to find it out. Suppose we file it?

Hon. Mr. CALDER: Certainly.

The CHAIRMAN (Right Hon. Mr. Graham): What do you say, gentlemen?

Some Hon. SENATORS: Carried.

Mr. BIGGAR: It will be Exhibit No. 42.

By the Chairman (Hon. Mr. Beaubien):

Q. It is only a page. How many pages have you there, Mr. Fairweather?

—A. I think what you are referring to, Senator, is the summary. The whole thing in detail is contained in this file.

Q. Then, Mr. Fairweather, we could print the summary and you could simply produce a copy?—A. I will produce a copy of the summary with the qualification attached to the estimate. I think that is desirable. I have had this particular thing quoted so often without the qualification that I am very chary of letting the summary alone go out.

Hon. Mr. CALDER: No. I think it would be very unfair to put in the summary without all the argument and facts, may be, contained in the report itself. If it is to be used at all the whole report should be filed, and then any person who wishes access to it will find it available. But to print part of the report only in our proceedings would, I think, be very unfair.

The CHAIRMAN (Hon. Mr. Beaubien): The intention, Senator Calder, is to have the whole thing produced, and then the summary will be printed. The whole thing can be produced for anybody who wants to see it.

Hon. Mr. CALDER: But if in our proceedings you print the summary, it would go out to all and sundry without the balance of the report, which, to say, would not be fair. You must print either the whole report or none.

Hon. Mr. PARENT: That is exactly what strikes me. If the solicitor to the committee recommends that the whole report be printed, I think we should have the document produced, as he requests.

Hon. Mr. MURDOCK: This \$50,000,000 estimate now is surely only a dream that has been exploded absolutely. It would be just as consistent and logical to print all the speeches that have been made in favour of the Hudson Bay Railway, because there were some laudatory speeches in that connection promising great things for Canada. We are confronted with a concrete situation where Canada's railways are both going in the hole. Why talk about reading a proposal of a number of years ago in which it was thought by someone that \$50,000,000 could be saved? I do not think we are doing anything but cluttering up the record that this committee wants to secure at the present day if we print that proposal.

Mr. BIGGAR: I should think it would meet the situation quite well if the document was marked Exhibit No. 42, so it can be referred to readily. It will not be printed unless there is a special direction to have that done.

The CHAIRMAN (Right Hon. Mr. Graham): Gentlemen, shall we file this document in its entirety for the benefit of members of the committee?

Several Hon. SENATORS: Carried.

(Submission to Royal Commission on Railways and Transportation by S. W. Fairweather on consolidation of Canadian Pacific and Canadian National, filed and marked Exhibit No. 42.)

The CHAIRMAN (Right Hon. Mr. Graham): Now, go on, Mr. Biggar.

By Mr. Biggar:

Q. There are two or three more questions I should like to ask Mr. Fairweather. You expressed early in your examination the view that progress could have been made much faster than it in fact was?—A. Yes, sir.

Q. Do you mean progress in pure co-operation without reference to the tribunals?—A. No. I do not.

Q. Do you think you made as fast progress as you could on pure co-operation without resort to the tribunal?—A. I would say this, that the type of co-operation that we have had in the last five years is the co-operation that was entered into only from the standpoint of the respective railways where it seemed a desirable thing to do so from a railway standpoint. There has been in my humble opinion little or no co-operation of the kind that was so clearly contemplated—

Q. After all, that is a question of opinion, what was contemplated.—A. You asked my opinion, sir.

Q. I asked if on the basis of co-operation of the kind you had you think you made as reasonable progress as you could?—A. Of course, a question put that way is a little difficult to answer.

Q. I mean neither side was neglecting the negotiation of these agreements; is that so?—A. I cannot answer that in a word. My whole evidence up to this time would have to be considered, and I cannot answer in a word that everything had been done. I do say this, as I have said before, that where matters of policy did not enter into the picture, or where policy had been determined, it was possible to carry these things through to conclusion quickly.

By Hon. Mr. Parent:

Q. How was the policy arrived at?—A. As to that, I am a technical and a staff officer. I am not the person who fixes the policy.

By Mr. Biggar:

Q. Are you putting that quite fully, Mr. Fairweather?—A. I think so.

Q. I have an impression from what has been said and what I have read that a large number of reports made by the co-operative committee in favour of particular proposals were approved by the executive committee in 1933 and 1934,

[Mr. S. W. Fairweather.]

and that many of those are not yet in operation. I am asking you whether having regard to those facts you think the best progress possible has been made by pure co-operation?—A. I do not, sir, because, as I tried to point out, we had no example—

Q. All I really want is your no, you did not.—A. I am content to have it no.

Q. Will you tell me why?—A. I, perhaps, was joining the two things up—the answer and the explanation. I was a little too eager. But my evidence was quite clear, I hope, that we went ahead on what seemed to me an unduly complicated basis, and the policy to go ahead on such a basis would be a thing which I personally disagree with; and when I say more progress could have been made, I am quite sincere in it. But I say the Canadian National stood ready at all times to go ahead with these things on a simple basis, and unless we yielded to the desire of the Canadian Pacific to proceed piecemeal, bit by bit here and there and every place in pooling arrangements and line abandonments, we were simply at an impasse. It is for that reason that I qualified my statement that everything which could have been done was done.

Q. What do you think would be the total possible amount of economy if there were no coercion at all, and you went on the basis of horse-trading, as you have been doing?—A. In my opinion there would be less than none. I would say you would have a condition under which there would be increased expense.

Q. Even if you went on the—A. Yes, sir.

Q. Supposing you went into coercion as distinguished from co-operation under the present statute, is your figure with regard to the total possible economies \$10,000,000?—A. Well, again, sir, I can only express an opinion.

Q. Is it the figure of your opinion?—A. Well, sir, I cannot give a figure. I explained that to-day. These things, in my opinion, require the initiation of an outside body.

Q. Suppose you resorted to coercion under the present statute, what would your view as to the total possible economy to be effected?—A. If the coercion is in the picture, then the economy will be there. How the economy is brought to bear, and how it should be brought to bear, is something which must concern your honourable gentlemen. I have given you my ideas, but I say the economies will follow the coercion.

Q. My question was directed to how much economy would follow.—A. I have already said—

Q. Is it \$10,000,000 or \$7,000,000?—A. I said that under present conditions with coercion you would get, in my opinion, a figure of about \$10,000,000 per year, and that with increasing traffic that would increase.

Hon. Mr. CALDER: May I interject a question? I think it is very important to know who is going to bring about this coercion, and to what extent it will be brought about. The reply of \$10,000,000 depends upon a variety of contingencies. That is, you have a body that is ready to coerce, but it has got to be made to coerce to get these economies, and unless that is done and the necessary machinery is provided Mr. Fairweather's answer is not worth anything. He cannot tell whether it will be five, ten or twenty million. Then he is asked what economies can be brought about under coercion. Well, you have a certain condition existing to-day that may be absolutely changed in two years. So all he can do, I think, is answer in general terms.

But one point is the question of who is to start this coercive measure. How is it to be brought about? Is the Canadian National to do it on the one hand, and the Canadian Pacific on the other? The present law provides that they may ask for the setting up of a tribunal. How are you going to compel these people to ask for the setting up of the tribunal? That is where our law was defective before. We provided for co-operation but got no results because neither party would ask for coercion.

Hon. Mr. MURDOCK: May I suggest another thought? Even though either party asked for a tribunal under the existing law governing the Railway Commission of Canada, as we have practical evidence before us now, they could not get the regulation. They asked for the abandonment of about 600 miles of railroad. They got permission from the Railway Board to abandon only about half of that. Can we assume that the Railway Commission, under the existing law, would bring about a greater co-operation or co-ordination? Therefore, when Mr. Fairweather talks about an outside tribunal to you he is talking about, surely, the only thing that would bring the necessary results.

Hon. Mr. CASGRAIN: There is only one way to prevent a deficit. If Sir Edward Beatty on the one side, and the Right Honourable Mackenzie King on the other would meet together and agree not to butt in, I guarantee you there would be a surplus.

By Mr. Biggar:

Q. There are a number of possible alternatives, and I was trying to segregate them and get your view of each of them. The first was the continuance of the present condition of dickering without calling in anybody from outside—what has actually happened in the last five years—and I understand you to say that not much more economy could be effected than has been effected.—A. If the present attitude continues, I would say yes. But I went further than that.

Q. Senator Dandurand calls my attention to the fact that you have a number of projects under consideration?—A. Yes, sir.

Q. Well, what would you think of the prospects of getting economies from those, if you just went on dickering as you have done?—A. Well, we will get some of those.

Q. Do you think that the total economies would be of the order of around say, \$500,000?—A. I would not want to set a figure on them.

Q. Would they be as much as \$5,000,000?—A. I would not want to set a figure on them.

Q. You would not want even to put a limit of \$5,000,000 on them?—A. I would not want to put a figure on them.

Q. Any figure?—A. No sir.

Q. You could not tell me whether it would be \$100,000 or \$5,000,000?—A. I would not want to put a figure on them, under present conditions.

By the Chairman (Hon. Mr. Beaubien):

Q. They would not be very great, I suppose, under present conditions?—A. I have already said that taking the whole railway condition into account, I do not think they would amount to very much.

By Mr. Biggar:

Q. The second alternative that I was suggesting to you was resorting under the present statute to the arbitral tribunal for which that statute provides. I was coming to a possible third alternative, that is to say, some different kind of outside authority. But I was really directing my question to this, to find out whether your \$10,000,000 of economies, that you referred to this morning, could in your opinion possibly be secured by resort under the present statute to the arbitral tribunal for which it provides, or whether those \$10,000,000 economies were only going to be attained by some other different kind of outside authority.—A. Mr. Biggar, I really cannot add to my evidence.

Q. You can tell me what your \$10,000,000 did refer to?—A. To coercion.

Q. Coercion under the present statute, or a different one?

Hon. Mr. ROBINSON: He made that very plain.

[Mr. S. W. Fairweather.]

The WITNESS: I said that the machinery that you use to make that coercion effective is another matter. I gave a suggestion, but I cannot take an estimate and break it down and say, "Well, now, this much under this type of coercion, and this much under another type of coercion."

By Mr. Biggar:

Q. That is quite all right. You cannot say. The next question I want to ask you is this. Senator Beaubien asked you this morning if you would break down that \$10,000,000 estimate, and suggested that you should do it this afternoon?—A. I think, sir, that the evidence I have given this afternoon is about as far as I would care to go. I have crystallized that figure out of the background of years of experience. As a generality, I am content to have it judged by experience, but frankly I do not think it would add very much if I undertook to detail it. If the Committee desires it detailed, I would have to have time to detail it. But you will understand the statement I made. Within my experience, such as it is—and I have been in the railroad business now for twenty-seven years—I crystallized that figure, and I really would not care to go any further at this time. But if the Committee desires me to attempt to, I will do so.

By Hon. Mr. Murdock:

Q. Mr. Fairweather, could you give a guess estimate of one phase of that \$10,000,000? How much labour would be involved in relieving the country of \$10,000,000? How much displacement of labour would be involved,—60 per cent, is fair to say, or 75 per cent?—A. Well, sir, every cent of it is labour, in the last analysis.

Q. The whole \$10,000,000?—A. The whole \$10,000,000. It is either remote labour or direct labour, one or the other; every dollar of economy is labour. It may seem a strange idea that the coal you burn in a locomotive is labour, but it is labour. Consequently, in a sense, every dollar of it is labour. But directly, again from my general experience, I would say the direct labour, in railway labour, would be somewhere in the neighbourhood of—oh, it would probably be somewhere between 55 and 70 per cent; I would put it between that spread. The balance of it would be more or less remote labour.

By Hon. Mr. Dandurand:

Q. If we read your evidence of this morning I think we shall find you gave three or four figures explaining how this \$10,000,000 was made up?—A. The biggest single item was the elimination of duplicate passenger train service. That might run to somewhere around \$3,000,000 to \$3,500,000, if you pushed it to the extreme; but that would be a rather generous estimate of it under present conditions.

Q. Out of this \$10,000,000 savings, how much would be brought about by abolishing redundant lines?—A. Well there, sir, of course one has to form an idea of how much the Board of Railway Commissioners would consider it advisable to abandon, that is in the public interest.

Q. But I understood that there are lines so closely running together that they serve the same community?—A. Yes, that is true, there are some of them. You can put it this way, that it is about \$1,000 a mile, so if you abandon a thousand miles you have \$1,000,000 and if you abandon 500 miles you have \$500,000.

By Hon. Mr. Murdock:

Q. And under the existing law the Chairman of the Railway Commission would be an arbitrator in a tribunal?—A. Yes sir.

Q. And would be to a large extent governed by the provisions of the Railway Act?—A. Well, I could not say as to that. But he certainly would be in a double capacity.

The CHAIRMAN (Right Hon. Mr. Graham): He would be doing two jobs.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Fairweather, this morning I thought I clearly heard you say that you contemplated the abandonment of 1,000 miles of railway. Was I wrong?—A. I suggested that figure, sir.

Q. I mean to say, without being absolutely tied down to any figure—A. I think there is about one thousand miles of line in Canada that could be abandoned without unduly bearing upon public interest.

By Hon. Mr. Calder:

Q. But the Commissioners might not agree with you?—A. They might not agree with me.

By the Chairman (Hon. Mr. Beaubien):

Q. What I wanted to get from you, Mr. Fairweather, was the converse of that. In your opinion, there is not more than one thousand miles of railway that you could reasonably expect to be abandoned?—A. Approximately that figure, sir.

The CHAIRMAN (Right Hon. Mr. Graham): I am sensitive about discussion of the powers of the Board of Railway Commissioners, because I have had a good deal to do with that matter. We must not get into our heads the idea that the railways are supreme in their sphere and that the Board of Railway Commissioners is merely a body to fix rates. It is nothing of the kind. The Board fixes rates when application is made to them. But the object in appointing that Board was that we might have some authority to stand between any railway and the public. If you are going to frame an Act to take that power away from the Board, you will not find the public very much in favour of such an Act. I think it is important that we bear in mind this fact, that when an application is being dealt with before the Board, the Commissioners listen to the evidence not from the point of view of the railways particularly; they are there to see that the public get fair play. The combined railways and their officers might think that something was very good, because it would add some dollars to railway revenue, but we must bear in mind that a dollar in a farmer's pocket is just as good as it is in a railway treasury. We should not do anything that would deprive the Board of its powers to see that the public gets fair play. This Railway Board is the best thing that we have ever devised to see that the public gets a square deal.

Hon. Mr. CÔTÉ: In all fairness to Mr. Fairweather, I think it should be pointed out that he said this morning that his figures were predicated on that very thing, that the Railway Board would permit the abandonment of the lines.

The CHAIRMAN (Right Hon. Mr. Graham): I know he did, and I am glad. Another thing I have in mind. Some members think I am a crank as a protector of the public. I have expressed the view that we cannot do such a thing so long as the Board of Railway Commissioners has its present powers. May I add, gentlemen: Be careful how you restrict the powers of the Railway Commission.

Hon. Mr. MURDOCK: I do not want to restrict them.

The CHAIRMAN (Right Hon. Mr. Graham): You are all right. I wanted to get that in at this point.

By Hon. Mr. Horsey:

Q. Mr. Fairweather, we have been dealing all along with co-operation for past duplicate services,—A. Yes, sir.

Q. Has any consideration been given by any of your committees to the doing away of possible competition in the future; anything, for instance, in regard to limitation of territory, the bringing in of lines where there are already sufficient lines to carry the traffic?

[Mr. S. W. Fairweather.]

By the Chairman (Right Hon. Mr. Graham):

Q. Competition in building.—A. It was really to that slant on the thing that I referred as I made my reservation that if things continued as at present, instead of economies we were liable to get increased expense; for we have an illustration up in the Senneterre-Rouyn territory of what to me was nothing short of an economic crime attempted to be perpetrated on this country. There was a line up through northern Quebec, the Transcontinental Railway, that most northerly line you see along there. (Pointing to large wall map.)

By Hon. Mr. Murdock:

Q. Get somebody to point it out on the map.—A. That line was built at a very great expense on the part of this country.

By Hon. Mr. Casgrain:

Q. But it has easy grades.—A. Yes. It was built for two purposes. It was built with a vision that when I was a young man I thought was crazy, that is, partly as a development line and partly as a through traffic route. It was built through the wilderness at a cost in excess of \$100,000 a mile. It fulfilled in some degree for a period of years both functions of a through line and a colonization line. But taking the whole thing together, the interest on the capital of that line was a very serious part of the transportation burden of this country, against which we had to set up the possibility of future development.

By the Chairman (Right Hon. Mr. Graham):

Q. But there were no bonds issued on it.—A. No; it is right on the people of Canada; that is where it is. This comes to the heart of the thing. Development started to take place up along that clay belt. First it was agricultural development, farmers going in there cutting off pulpwood, and it was, generally speaking, what would be called a thin traffic line. The territory was not very attractive from a local standpoint. But around 1924 the Rouyn mine was discovered, and I am speaking now from personal knowledge.

By Hon. Mr. Murdock:

Q. Point out Rouyn there, please.—A. That point was discovered—

By Hon. Mr. Dandurand:

Q. How many miles was that from the main line?—A. It was about forty miles south of the line. The people who had that mine came to us and they said, "We have a copper prospect here. We don't know how good it is, but we cannot do anything at all with it without a railway." They told us they had approached the Canadian Pacific Railway and had been turned down on an extension of the Canadian Pacific into Rouyn.

Q. From what place to what place?—A. From Angliers. They had been turned down by the Canadian Pacific Railway. So Sir Henry Thornton turned over to the Bureau of Economics, among its other duties, a study of whether or not it would be in the interest of the country and of the Canadian National Railways to build a line into this prospect to allow it to be developed.

By Hon. Mr. Gordon:

Q. A forty-mile line?—A. Yes.

By the Chairman (Right Hon. Mr. Graham):

Q. From your other line?—A. Yes.

By Hon. Mr. Casgrain:

Q. It is a dead level; no cuts, no bridges.—A. I was assistant director of the Bureau of Economics. We sent a man up there to see what it was like. He travelled on snowshoes through the country until he came to the prospect. At that time it was nothing but a few tents and a drilling outfit. They exposed to us their detailed records to show what they had, and it required quite a considerable degree of vision to see a mine. They themselves frankly stated that at that time they had only succeeded in indicating enough ore to run a minimum-sized smelter for, I think it was, a matter of a year. We said, "What else is there in the country?" We got all the geological reports we could, we interviewed all the prospectors we could, and we decided that that country had something, that this was not just a flash in the pan. So, sir, our report to Sir Henry Thornton was that while there was a decided risk in building this line, and perhaps a risk that the Federal Government could not entirely take, nevertheless there was there a prospect of a really large-scale development, and that the general territory was one that might be expected to develop into a very rich mineralized zone. As a result of that report the railway was built with a certain amount of guarantee from the mining company, which, of course, was not worth anything unless the mine was producing, and with a certain amount of co-operation with the provincial Government. The mine did become a wonderful thing. It has added hundreds of millions of dollars of wealth to this country.

Hon. Mr. CASGRAIN: Hear, hear.

By Hon. Mr. Parent:

Q. The Noranda mine?—A. The Noranda mine. It has created a smelter in Montreal. It turned that thing into a very profitable traffic field. It no longer was unattractive to railway enterprise.

That is not all the story either, because with the impetus given by that discovery other discoveries were made in the territory, and you had all along that mineralized belt a condition where mines were being developed from prospects.

Q. And water-powers?—A. Yes.

Q. And electricity of all kinds?—A. Yes.

Now, faced with that situation, and knowing the possibilities we had, we took powers to build the north and south line, and took powers to build also the east and west line clear along to the Quebec boundary from a point near Senneterre, about 150 miles. In the process of time our charter rights expired. It so happened that the territory to the east was being served by certain navigable rivers. They could be reached from Amos and Senneterre on the National Transcontinental, and in those circumstances the Canadian National Executive said, "Well, until there is a real necessity, until these things get to a point where there is a real necessity of building a line in there, the most economic thing is to use the water transport from the National Transcontinental." This did not make it ideal for the prospectors. They would much rather have their products landed at the mines. Nevertheless, it was much better to do what we did, because the water transport was reasonably effective except when we got down in the vicinity of the Rouyn territory. In that territory we co-operated with various mines in building spurs and things like that to reach their mines. We thought we were adequately looking after the immediate requirements of the territory.

In 1936 we became aware that the Canadian Pacific, through a subsidiary, had applied to the Quebec Legislature for a line which would tap that development already served by the National Transcontinental, built with the peoples' funds, and for my part—and I have endeavoured throughout my evidence to be as fair as possible with regard to the Canadian Pacific Railway, because

[Mr. S. W. Fairweather.]

hold that railway to be an efficiently run enterprise in its own right—as a citizen of Canada I cannot see why a railway such as the Canadian Pacific, on the receipt of a continuing bounty from this country, should deliberately attempt to go to a provincial legislature to secure a charter to get in there and tap the resources that were tributary to the peoples' railway. Now, I make that statement with some heat, perhaps; but as a citizen of this country I think it was an economic crime.

Now, faced with that situation the next thing we did was this. I well remember the occasion. I got word of this at about 10 o'clock on, I think it was, May 23. The President called me and said, "Come to my house." I went to his house and found Mr. Gzowski there and learned of this situation. We proceeded immediately—I know we worked all day Sunday—

By Hon. Mr. Gordon:

Q. Contrary to the Lord's Day Act?—A. Yes, sir, and it was a good work day.

We worked all day Sunday. We came to Ottawa and enlisted the support of the Government. We pointed out that if this thing were done it would be nothing more than a senseless duplication of facilities and would have the effect of diverting \$3,000,000 a year away from the Canadian National treasury, because that was the amount of traffic that we could see we would be in a position to lose if that territory tributary to the N.T.R. was made tributary to the Canadian Pacific.

By the Chairman (Right Hon. Mr. Graham):

Q. You rather approve of the Senate, then?—A. At times, sir, yes. I always have reservations. But seriously, I have a great faith in our democratic institutions.

We went to the Federal Government and we got their loyal support. We frankly told them that in our opinion the only way we could block this thing at all was to get a line built first. We got the Government to agree to bring in a special Act, and that Act was brought in and was passed by the House of Commons and by the Senate.

Now we were hopping between Ottawa and Quebec. In Ottawa we were supporting our Bill; in Quebec we were opposing the Canadian Pacific Bill with all the force at our command. We failed. In the Quebec Legislature, for reasons which they deemed fit, the Committee passed the C.P.R. Bill with certain amendments. We knew from the way things went that we were at a difficult spot, but it so happened that the Quebec Legislature dissolved, and that gave the Canadian Pacific venture at least a year's hoist. In that year, by expedition, we succeeded in getting a line surveyed and contracted for, and that line is now in operation as far as Val d'Or from Senneterre. It will be completed as far as Rouyn by some time in 1938.

By Hon. Mr. Dandurand:

Q. Did the C.P.R. build?—A. No, as far as I know they did not build, but they approached us for running rights so that they could go into that territory tributary to the peoples' railway and take traffic away from a line that was just beginning to show the fruitful husbandry that had been exercised on it from 1916 on, a line which had been built with a degree of vision, because if the Canadian National had turned down the Noranda interests, I do not know where Noranda mine would have been. They could not have had the mine without a railway, and if the Canadian Pacific and the Canadian National had turned them down, Rouyn townsite, Rouyn smelter and Rouyn mine would probably be lying in the wilderness to-day. I say an attempted duplication of that kind is an economic crime.

By the Chairman (Right Hon. Mr. Graham):

Q. Your opinion is that hereafter Parliament should be very careful in allowing unnecessary duplicate lines?—A. I would like to read my evidence before the Royal Commission on that point. It has not changed. I really would like to have that read, if possible.

By Hon. Mr. Calder:

Q. Did the Canadian Pacific get a charter?—A. Yes sir, they got one the succeeding year. They have not built yet.

The CHAIRMAN (Right Hon. Mr. Graham): Mr. Fairweather wants to read from an answer that he gave to the Duff Commission.

The WITNESS: I said :

Finally, too much reliance must not be placed in any lesson taught by the present depression. As soon as times improve, public demands for additional railway construction will recur, and the railways in themselves would find it very hard to resist the pressure even if they were inclined to do so, and in like manner, co-operation between the railways forced upon them by pressure of events would not continue in hearty degree once that pressure was removed. There would seem to be a real need in Canada, dependent as she is upon the lowest possible transportation cost, for the creation of a budgeting and planning commission whose functions would consist of determining the advisability of railway extension and without whose approval no railway charter could be secured or public financing be done for railway purposes.

By Hon. Mr. Moraud:

Q. But that commission would not advance anything like the situation you have just outlined, if it is entirely provincial?—A. That, sir, is a matter of interprovincial relations that I think should be taken up.

By Mr. Biggar:

Q. Has there been a discussion of freight pooling at all in connection with this co-operation?—A. Not in any serious degree.

Q. You spoke of pairing lines to be abandoned?—A. Yes sir.

Q. Can you give me a memorandum of what pairs you suggested?—A. I could give you a memorandum. In fact, we simply said we will toss them all into the pool.

Q. Could you give me a memorandum of the pairs that you suggested?—A. I do not think that I could properly say that I set up an exact pairing example; but we said the principle is there and we think we would like to sit down and work it out.

Q. It never got beyond the suggestion?—A. No sir.

By Hon. Mr. Murdock:

Q. Did you not propose a pair as between Parry Sound and Toronto and Woodstock and Windsor?—A. Yes sir, in a sense.

By Mr. Biggar:

Q. There is another question. Can you tell us where the redundant lines were that you proposed to abandon?—A. Yes sir, I can tell you that.

The CHAIRMAN (Hon. Mr. Beaubien): That is the 1,000 miles that you referred to?

Hon. Mr. DANDURAND: Let us take the 5,000 miles.

Mr. BIGGAR: He does not know about that.

The WITNESS: Yes, I know about that.

[Mr. S. W. Fairweather.]

By Hon. Mr. Horsey:

Q. Do you know the details about that?—A. Yes, for this reason. The Royal Commission sent that 5,000 miles programme to me for my comments.

By Hon. Mr. Parent:

Q. And did you comment upon them?—A. I did.

By the Chairman (Hon. Mr. Beaubien):

Q. What was your answer?—A. Well, it is fairly extensive. I could not give it in a word.

Q. Did you cover most of it or only part of the 5,000?—A. I covered it generally, and as I said this morning, by specific examples.

By Hon. Mr. Horsey:

Q. But, in the main, did you agree that 5,000 miles could be abandoned?—A. Oh, no.

By Hon. Mr. Dandurand:

Q. I should like to know where those redundant lines are and what lines among them serve the same community and could well be dispensed with. There are lines that are some distance apart and which I would not call redundant; but I am speaking of those that are serving the same community and where abandonment may be made with profit to the country and to the two railways.—A. I would be pleased, sir, to point those out.

Q. On a map?—A. On a map.

By Hon. Mr. Calder:

Q. Mr. Fairweather, in talking the matter over with other members of the Committee, reference has been made to two lines during our discussion. There is one down the Fraser Valley, from Kamloops to Hope?—A. Yes, sir.

Q. I can well remember when the Committee sat previously that many references were made to that line of railway. You have two lines of railway paralleling each other very closely, for I think a distance of something like four hundred miles?—A. It is not that much.

Q. It is quite a long distance?—A. You can see it on the map there.

Q. Just the other day reference was made to me about the two lines in here (indicating on map), in the province of Saskatchewan. They are very close together. Now, I understand that what Senator Dandurand wants is a set of similar lines all through Canada where situations of that kind exist?—A. I can furnish that, sir.

Q. I think that would be very valuable to the Committee.

By Hon. Mr. Dandurand:

Q. In order that we might make more progress with you, Mr. Fairweather, there is a question which I think you should consider for to-morrow. Where are those lines which are close together and serving the same territory? Where are those duplicate lines, from the Atlantic to the Pacific, which could be dispensed with? And why have they not been dispensed with so far?—A. I will be prepared, at any meeting that you desire, to point out on the map and to discuss those lines, starting at the east of Canada and working to the west, and giving you my views on them.

By Hon. Mr. Parent:

Q. You can do that to-morrow?—A. Yes, sir.

By the Chairman (Hon. Mr. Beaubien):

Q. Whilst you do that, would you mind telling us which are the lines that are included in your first estimate, your guess, if you like, of \$50,000,000?

—A. Yes.

Q. And those that are included in your estimate of \$24,000,000, and those that are included, finally, in your estimate of \$10,000,000?—A. Yes, sir, I can do that.

By Hon. Mr. Dandurand:

Q. Can you at the same time give us an idea of what you had in your hands when you decided there were 1,800 miles which you could submit to the Railway Commission? I may be somewhat out in my figure, but I think you dropped 1,200 miles and decided to make a submission with regard to 600 miles?—A. I will have that also, sir.

Q. What are those 1,200 miles which you dropped?—A. I will have that, sir. I will indicate the whole thing. I will deal with everything that has been asked, starting with eastern Canada and working west.

Q. And giving your views as to the possibility of abandonment of those various lines?—A. Yes sir.

Mr. BIGGAR: There is one point about the printing, that I ought to ask the Committee about. During the day, at the instance of one of the members of the Committee, Mr. Fairweather put in a report that he had made, and which is filed as Exhibit 40. That report will be about 15 pages of typewritten matter; I do not suppose it will be that much in print. But the report is really unintelligible without the papers that were attached to it as exhibits, and they will be about 40 pages of print.

Hon. Mr. DANDURAND: What do they cover?

Mr. BIGGAR: They cover the reports that were made about pooling, the correspondence between Mr. Beattie on the one side and Mr. Fullerton and Mr. Hungerford on the other, the memoranda that was prepared by the Canadian Pacific section and the Canadian National section respectively on this question of pooling. I have looked them through, and I may say they are very illuminating. But the question is whether the committee would like to have this before them. There is this to be said in favour of doing so, that this pooling arrangement involves a very large sum of money, more than any other single one. There is this also to be said, that we have no other case where there are contemporary documents that discussed the whole thing backwards and forward as in this case. However, I do not want the committee to feel that I am loading up the printed record unnecessarily.

Hon. Mr. MURDOCK: Last evening when we discussed that question those exhibits seemed to be important and also the statement. I thought the committee understood then that they were to be a part of the record.

The CHAIRMAN (Hon. Mr. Beaubien): As I understood, the exhibits were to be filed and the report only discussed.

Mr. BIGGAR: I did not know there were any exhibits until this morning.

Hon. Mr. HAIG: I think we should print the whole thing.

The CHAIRMAN (Right Hon. Mr. Graham): Shall we print it all?

Several Hon. SENATORS: Carried!

The committee adjourned until to-morrow at 10.45 a.m.

EXHIBITS A TO L TO ACCOMPANY SPECIAL SENATE COMMITTEE

EXHIBIT No. 40

EXHIBIT "A"

CANADIAN NATIONAL RAILWAYS

CANADIAN PACIFIC RAILWAY COMPANY

Passenger Traffic Departments

MONTREAL, QUE., February 7, 1933.

Passenger Traffic—Sub-Committee Report—Passenger Train Services

To Co-operative Committees, of the Pacific and National.

Your instructions December 29, 1932, and subsequent conferences.

After very careful study, the attached statement indicates, in our opinion, the extent to which there is to-day more or less duplication of passenger train service in Canada. In some cases the extent to which there is duplication is determined by the variation in the volume of traffic.

If the two properties were operated as a unit, on some basis found for division of Mail, Express and Passenger Receipts and Operating Expenses, there would, with present traffic, be a possibility of reducing approximately 10,000 train miles per day, i.e., 3,650,000 per annum, a little over ten per cent of the total scheduled miles, provided Union or Joint tations are arranged at a number of the larger common points, such as, Montreal, London, Sudbury, Winnipeg, Saskatoon, Edmonton and Vancouver.

Scheduled Passenger Train Miles

Miles Road Operated 1932—Canadian Pacific—16,892 (Inc. DAR & QC)

Miles Road Operated 1932—Canadian National—22,086 (Lines in Canada)

Scheduled Trains	Pacific	National	Total
Steam Train Miles..1932.. . . .	16,659,519	14,575,476	31,234,995
Rail Motor Miles—1932.. . . .	494,858	1,387,488	1,882,346
Total Schedules Miles—1932.. . .	17,154,377	15,962,964	33,117,341

All *Parallel services* are *not duplicate services*. Where the volume of traffic to or from or between intermediate and non-competitive points is equal to, or nearly equal to, the volume moving between the competitive terminals, the parallel services cannot be eliminated.

To illustrate—Montreal-Ottawa, there are nine trains each way each day—except Sundays—serving three out of four separate routes—C.N. having withdrawn through service on the Hawkesbury route many people may consider there is extensive duplication, while the fact is, that, apart from Pacific trains and 2 moving at night, the only duplication consists of the transcontinental trains—Pacific 7 p.m. and National 7.05 p.m. from Montreal, and National 3.30 p.m. and Pacific 3.45 p.m. from Ottawa; all with important night connections east and south. Six of the nine trains are dependent upon and scheduled to

serve not only intermediate passenger traffic, but also Mail, Milk, Cream, Express, etc., and under one management only one of the duplicate trains each way (one-ninth of the service) could be eliminated.

The six local trains each week-day cannot be staggered without placing serious inconvenience and some hardships upon the intermediate traffic. The present schedules, with minor adjustments, have been in effect for many years, which indicate they are satisfactory to patrons at intermediate points.

(Signed) C. B. FOSTER,
Passenger Traffic Manager,
Canadian Pacific Railway Company.

(Signed) C. W. JOHNSTON,
General Passenger Traffic Manager,
Canadian National Railways.

EXHIBIT "A"

UB-COMMITTEE—PASSENGER DEPARTMENT—PRELIMINARY SURVEY FEB. 2, 1933 OF POSSIBLE
ELIMINATION OF DUPLICATE PASSENGER TRAIN SERVICES IN CANADA

Assumed Duplicate Services							Gross Annual Train Mile Saving		Estimated Replacements
Can. Pac.	Can. Nat.	C.N. Miles	January 1 1933	C.P. Miles	Can. Nat.	Can. Pac.			
No. 210	No. 303		Night Service		No. 326	No. 209	Can. Pac.	Can. Nat.	More study needed.
p.m.	p.m.				a.m.	a.m.			
9.00	8.20	0	..... Montreal	0	7.55	8.10	125,580		
2.15			..... Wells River	172		2.50			
3.30	1.45	184	..... White River Jc.		1.26	1.30			
8.03	8.03		..... Boston		8.45	8.45			
a.m.	a.m.				p.m.	p.m.			
p. 358	No. 34		Night Service		No. 33	No. 357			
p.m.	p.m.				a.m.	a.m.			
11.30	11.45	0	..... Montreal	0	7.15	7.20	130,670		NATIONAL Montreal-Sts. Rosalie 27,156 Lyster-Levis 23,162
7.00	6.50	179	..... Quebec	178	11.45	11.56			
a.m.	a.m.				p.m.	p.m.			
p. 356	No. 46		Day Service		No. 75	No. 355			
p.m.	p.m.				p.m.	p.m.			
5.00	6.10	0	..... Montreal	0	7.45	9.30	123,370		
9.30	10.40	169	..... Quebec	178	3.15	5.00			
a.m.	p.m.				p.m.	p.m.			
	No. 44				No. 43				
	a.m.				p.m.				
	*7.00	0	..... Montreal		*10.30		47,576		
	*9.40	76	..... Richmond		* 8.20				
	a.m.				p.m.				
p. 23	No. 7		Night Service		No. 8	No. 34			
p.m.	p.m.				a.m.	a.m.			
1.35	11.30	0	..... Ottawa	0	7.30	7.45	180,310		
7.20	7.26	247	..... Toronto	263	11.30	11.35			
a.m.	a.m.				p.m.	p.m.			
p. 19	No. 35		Day Service		No. 36	No. 38			
p.m.	p.m.				p.m.	p.m.			
1.00	1.00	0	..... Ottawa	0	7.55	9.00	159,562 323 days		NATIONAL Mixed service on Existing freights Ottawa- Napanee.
9.45	8.00	247	..... Toronto	263	1.00	3.30			
a.m.	p.m.				p.m.	p.m.			
	No. 696		Toronto-Ottawa Connection		No. 697				
	p.m.				p.m.				
	*4.40	0	..... Napanee		*4.05		16,276		
	*5.20	26	..... Kingston		*3.25				
	p.m.				p.m.				
609	No. 53		—		No. 64	No. 650			
15	*1.10	0	..... Orillia	0	*12.50	*	4,620		NATIONAL Now run only 10 weeks in summer.
10	*2.00	33	..... Midland	31	*12.00	*12.10			
a.m.	p.m.				p.m.	p.m.			
557	No. 687		—		No. 688	No. 556			
a.m.	p.m.				a.m.	a.m.			
50	5.00	0	..... Ottawa	0	10.55	11.25	66,356		
15	8.30	106	..... Pembroke	109	7.15	8.05			
a.m.	p.m.				a.m.	a.m.			
Montreal-Vaudreuil Commutation								148,200	
Forward.....							125,560	876,940	Nat. 50,318

PRELIMINARY SURVEY—FEB. 2, 1933

Assumed			Duplicate		Services		Gross Annual Train Mile Saving		Estimated Replacements More Study needed
Can. Pac.	Can. Nat.	C.N. Miles	January 1, 1933	C.P. Miles	Can. Nat.	Can. Pac.	Can. Pac.	Can. Nat.	
			Brought forward.....				125,560	876,940	Nat. 50,318
No. 19	No. 15				No. 14	No. 20			PACIFIC Ottawa connections via Brockville and Nat.
p.m. 3.30 3.30 8.15 a.m.	p.m. 4.00 — 8.30 a.m.	0 — 849	..... Montreal..... Detroit..... Chicago.....	0 569	p.m. 4.30 6.25 p.m.	p.m. 4.25 2.15 6.00 p.m.	415,370		
No. 37	No. 5				No. 6	No. 38			PACIFIC Ottawa connections via Brockville and Nat.
a.m. 8.00 11.05 7.20 a.m.	a.m. 9.30 12.15 7.00 a.m.	0 — 849	..... Montreal..... Detroit..... Chicago.....	0 569	p.m. 10.00 7.30 11.00 p.m.	p.m. 9.45 8.30 11.59 p.m.	415,370		
No. 21	No. 17		DAY SERVICE		No. 20	No. 22			PAC. replaces No. 629 Toronto-London 35,995 PAC. replace 642-643 Toronto-Galt 35,682
a.m. 8.15 2.30 8.30 p.m.	a.m. 8.30 3.30 8.25 p.m.	0 — 517	..... Toronto..... Detroit..... Chicago.....	0 229	p.m. 10.30 4.00 9.05 a.m.	p.m. 10.30 4.40 9.05 a.m.	167,170		
No. 635	No. 9		NIGHT SERVICE		No. 10	No. 20	Pac.		
p.m. 11.30 7.15 a.m.	p.m. 11.45 7.40 a.m.	0 231	..... Toronto..... Detroit.....	0 229	a.m. 8.30 11.59 p.m.	a.m. 8.30 2.15 p.m.	No. 635 One-way 313 days 71,677		
No. 1	No. 5				No. 6	No. 2			NATIONAL Motor Car Brandon-Re gina 3 days a week 68,952
p.m. 9.00 7.20 a.m.	p.m. 9.00 8.55 a.m.	0 356	..... Winnipeg..... Regina.....	0 357	a.m. 8.00 6.40 p.m.	a.m. 9.30 9.00 p.m.		258,880	
No. 303	No. 7				No. 8	No. 304	Reduced from 7 to 3 days a week	Reduced from 7 to 3 days a week	
p.m. 11.55 6.25 9.00 a.m.	p.m. 11.55 6.40 12.15 p.m.	0 160 249	..... Regina..... Saskatoon..... Prince Albert.....	0 181 219	a.m. 6.20 11.57 5.00 p.m.	a.m. 6.20 11.55 9.00 p.m.	122,720	66,560	
No. 51	No. 3				No. 4	No. 52	Winnipeg-Yorkton 29,016 1 day wk.	48,880 1 day wk.	PACIFIC Yorkton-Lanigan 6 days a week 78,876
p.m. 11.00 3.55 p.m.	p.m. 6.30 8.50 a.m.	0 470	..... Winnipeg..... Saskatoon.....	0 480	a.m. 10.00 5.50 p.m.	a.m. 7.25 12.25 p.m.			
4.35 7.10 a.m.	9.25 8.40 p.m.	0 331	..... Saskatoon..... Edmonton.....	0 368	5.30 7.00 a.m.	12.00 10.50 p.m.	268,640 7 days week	207,206 6 days week	PACIFIC Saskatoon-Edmonton 3 days a week 114,816
No. 308	No. 70				No. 69	No. 307			
p.m. 4.20 8.25 p.m.	a.m. 10.30 1.55 p.m.	0 84	..... Regina..... Weyburn.....	0 126	p.m. 6.30 3.00 p.m.	p.m. 12.10 8.15 a.m.		43,680	
			Forward.....				1,762,253	1,503,146	C.N. 119,270 C.P. 265.

PRELIMINARY SURVEY—FEB. 2, 1933

NATIONAL PROPOSAL—No. 1

Assumed Duplicate Services							Gross Annual Train Mile Saving		Estimated Replacements	
Can. Pac.	Can. Nat.	C.N. Miles	January 1 1933	C.P. Miles	Can. Nat.	Can. Pac.	Can. Pac.	Can. Nat.	More study needed.	
No. 5-3	No. 1		Brought forward.		No. 2	No. 4-6	1,762,253	1,503,146	Nat. 119,270	Pac. 265,369
p.m.	p.m.				a.m.	a.m.			Annul Pac. 5-3 and 4-6 Route Nat. 1 and 2 Ottawa-Sudbury via Pacific.	
7.00	7.00	0	..... Montreal	0	11.45	11.45	791,320	226,330		
8.45	8.45		..... Winnipeg	1,412	6.30	6.30				
a.m.	a.m.				p.m.	p.m.			Pac. 27 and 28 Toronto-Sudbury replaced with Nat. 3 and 4.	
No. 27	No. 3				No. 4	No. 28				
p.m.	p.m.				a.m.	a.m.				
11.00	10.40		..... Toronto		7.20	8.10			189,800	
6.50			..... Sudbury	260		10.40				
a.m.	6.40	276	..... Capreol		10.20					
	a.m.				p.m.	p.m.				
Canadian National Proposal No. 1.....							2,553,573	1,919,246	Nat. 119,270	Pac. 265,369

NATIONAL PROPOSAL—No. 2

No. 27	No. 3		Brought forward.		No. 4	No. 28	1,762,253	1,503,146	Nat. 119,270	Pac. 265,369
p.m.	p.m.				a.m.	a.m.			189,300	
11.00	10.40	0	..... Toronto	0	7.20	8.10			
6.50			..... Sudbury	260		10.40			
	6.40	276 Capreol		10.20				Cancel Pac. 27 and 28 Toronto-Sudbury Replace with Nat. 3 and 4.	
a.m.	8.45	1,207	..... Winnipeg		6.30				
	a.m.				p.m.	p.m.				
No. 5	No. 1				No. 2	No. 6			Cancel Pac. 5 and 6 Montreal-Sudbury Replace with Nat. 1 and 2 Ottawa-Sudbury.	
p.m.	p.m.				a.m.	a.m.				
7.00	7.05	0	..... Montreal	0	11.40	11.45	81,030	226,300	
6.00	6.35	426 Sudbury	439	10.55	11.45			1,919,246	
a.m.	a.m.				p.m.	p.m.				
Canadian National Proposal No. 2.....							1,843,283	1,919,246	Nat. 119,270	Pac. 265,369

PACIFIC PROPOSAL

No. 3	No. 3		Brought forward.		No. 4	No. 4	1,762,253	1,503,146	Nat. 119,270	Pac. 265,369
p.m.	p.m.				a.m.	a.m.			881,110	
10.40	10.40	0	..... Toronto	0	7.20	7.15				
8.45	8.45	1,207	..... Winnipeg	1,232	6.30	6.30				
a.m.	a.m.				p.m.	p.m.			290,472	
No. 5	No. 1				No. 2	No. 6				
p.m.	p.m.				a.m.	a.m.				
7.00	7.05	0	..... Montreal	0	11.40	11.45			310,980	
6.00			..... Sudbury	439		11.45				
a.m.	6.50	426	..... Capreol		10.55					
	a.m.				p.m.	p.m.				
Canadian Pacific Proposal.....							1,762,253	2,695,236	Nat. 409,742	Pac. 265,369

SUMMARY

	Duplicate Train Miles Elimination		Estimate of Train Miles Replacements		Estimated Deductions of Assumed Duplication Passenger Train Miles		
	Pacific	National	Pacific	National	Pacific	National	Total
National Proposal No. 1.....	2,553,573	1,919,246	265,369	119,270	2,288,204	1,799,976	4,088,180
" " No. 2.....	1,843,283	1,919,246	265,369	119,270	1,577,914	1,799,976	3,377,890
Pacific Proposal.....	1,762,253	2,695,236	265,369	409,742	1,496,884	2,285,494	3,782,378

Preliminary Survey—Feb. 2, 1933

MONTREAL AND TORONTO—WINNIPEG

A—Passenger Traffic Officers of the National suggest:—

- (1) (a) That if the volume of traffic from the east on Pacific No. 3 and National No. 1 and from Winnipeg east on National No. 2 and Pacific No. 4 can be moved in one train—National proposal No. 1 should prevail.
 (b) That if the volume between Sudbury and Winnipeg requires maintenance of both services—National proposal No. 2 should be made effective.
- (2) At the present existing Express Fish Traffic necessitates second section of National No. 4 twice a week.
- (3) Also that unless Canadian Lines arrange at an early date—
 Leave Winnipeg not earlier than 5.45 p.m. C. T.—and
 Arrive Montreal not later than—8.45 a.m. E. T.
 To connect with C. V. No. 332 for Boston and New York to arrange Night Delivery at those points.
 A very valuable traffic will be lost to lines via Chicago, i.e. G. N., C. B. & Q. and Penna.
 Can. Nat. desire to retain this traffic for long haul via Montreal and their subsidiary, the C. V. to Windsor, Vt.
- (4) That National No. 4 or Pacific No. 4 cannot handle, all traffic ex Winnipeg in one train without second sections practically every day to Sudbury.
- (5) That as the Line of the National—Capreol-Winnipeg—requires service at least three days per week—National 1 and 2, and Pacific 3 and 4 should be maintained.
- (6) That to protect the Valuable Fish Express Traffic originating at Prince Rupert, Winnipeg and points east thereof, the National should maintain existing services between Winnipeg and Sudbury.

B—Passenger Traffic Officers of the Pacific suggest:—

- (7) That the passenger traffic, Montreal and Toronto—Winnipeg now using National Nos. 1 and 2, 3 and 4, and Pacific Nos. 3 and 4, 5 and 6, can be moved in one train.
- (8) That the Passenger Traffic Service Montreal and Toronto-Winnipeg should move via Pacific in order to continue maintenance of Night Service each way Port Arthur—Fort William—Winnipeg.
- (9) That Pacific No. 4 can leave Winnipeg 5.45 PM—45 minutes earlier than at present, and run 45 minutes quicker to Sudbury, arriving 10.05 PM—same running time to Ottawa, due at 6.43 AM—leave 7.00 AM and arrive Montreal 9.15 AM—place Fish Express on No. 212 for Boston at 9.30 AM and on D. & H. 10.00 AM for New York.

(Signed) C. W. JOHNSTON,
General Passenger Traffic Manager.
Canadian National Railways.

(Signed) C. B. FOSTER,
Passenger Traffic Manager,
Canadian Pacific Railway Company.

EXHIBIT "B"

CANADIAN NATIONAL RAILWAY COMPANY-CANADIAN PACIFIC RAILWAY COMPANY
JOINT CO-OPERATIVE COMMITTEE

Report No. 4

To the Acting President,
Canadian National Ry. Co.

To the Chairman and President,
Canadian Pacific Ry. Co.

DEAR SIRs,—

Executive Allotment 1

Limited Pool of Passenger Trains

Ottawa-Toronto Day and Night Services

Montreal-Toronto Afternoon Service

Proposal.—That pooled services be established for all Ottawa-Toronto passenger and baggage traffic and for the Montreal-Toronto afternoon fast train passenger and baggage traffic, effective not later than May 1, in anticipation of the establishment of a more general pool. The said services to be designated and advertised as "Pool Trains."

Method.—The Canadian Pacific to operate, via Peterboro, the night trains between Ottawa and Toronto, to handle the express, passenger and baggage traffic of both Companies and mail traffic of Canadian Pacific.

The Canadian National to operate to and from Windsor street station, via Dorval and its line, the afternoon fast trains between Montreal and Toronto, to handle the express, passenger and baggage traffic of both Companies, including the through traffic of both Companies to points on the lines of their respective Chicago services.

The Canadian National to withdraw its day and night trains between Toronto and Ottawa.

The Canadian Pacific to withdraw its six hours and fifteen minutes trains between Montreal and Toronto and the Ottawa connections therewith but maintain its Ottawa connection with its morning trains from Montreal and Toronto, and establish Ottawa connections, via Brockville, with the pooled afternoon fast trains operating via the Canadian National.

The pooled trains to be operated by the employees of the Company on whose lines the trains operate.

Capital Cost.—Estimated \$85,000—to establish cross overs and necessary signal protection between Canadian National and Canadian Pacific tracks near Dorval.

Estimated Saving.—356,148 train miles on Canadian National and 231,410 train miles on Canadian Pacific, which at \$1 per train mile would represent approximately \$587,558 per annum.

Number of Employees Released.—Between 75 and 85 train service employees and an undetermined number of other employees.

Action Recommended.—That the Companies enter into an agreement to put the proposed service into effect as soon as possible. The Canadian Pacific Section recommend that cross overs at Dorval be installed immediately, but that if the changed services can be put into effect prior to completion of cross overs at Dorval, fast trains to operate temporarily to and from Bonaventure Station. The Canadian National Section do not recommend that cross overs be put in at Dorval until agreement has been reached in

principle upon pooling of all Montreal-Toronto traffic. Both sections recommend that the agreement include provisions as follows:—

1. Mail and express revenues not to be pooled.

Mileage of mail and express cars handled by one company for the other to be equalized. Any excess to be computed on basis of actual out of pocket costs, to be jointly determined based upon the records of the Companies, and be credited to road performing the excess of service.

2. Pooled revenue will be divided equally between the Canadian Pacific and the Canadian National.

There will be included in the pooled revenue the entire passenger and baggage revenue from through traffic between Montreal-Toronto and Ottawa-Toronto handled on pooled trains; 80 per cent of passenger and baggage revenue from intermediate traffic handled on pooled trains; and 20 per cent of passenger and baggage revenue from through Ottawa-Toronto traffic handled by Canadian Pacific by means of Montreal-Toronto morning day trains (the expense of which service will be entirely borne by the Canadian Pacific and will be by exclusive trains).

3. Division of service and expenses to be on the following basis:—

- (a) Train Service Costs:

Train miles and car miles (of appropriate classes) of Canadian Pacific Ottawa-Toronto and Ottawa-Brockville services, and of Canadian National Montreal-Toronto service, to be equalized. Any balance of train miles or car miles to be computed on the basis of actual out of pocket costs and credited to the road performing the excess of service.

- (b) Terminal Costs:

Wheelage counts of pooled trains at Ottawa (including coach yard) and Toronto to be divided equally between the Companies.

Toronto coach yard, engine terminal and switching costs to be equalized. Any excess of service to be computed on the basis of actual out of pocket costs and credited to the road performing such excess.

Ottawa and Montreal engine terminal and Montreal coach yard and switching costs to be computed on user basis (with no allowance for maintenance of way or use of facilities pending negotiation of the principles governing the proposed general pool), and be credited to road performing service.

- (c) Revenue and interior expenses of operating sleeping, parlor and dining cars to accrue to road performing service.
- (d) Units of service performed in running extra trains to handle pooled traffic to be credited to road performing service.
- (e) The method of final settlement of net balance of expenses under sub paragraphs (a) and (b) to be left for later determination.

4. Each Company to pay an equal proportion of capital expenditure in making connection at Dorval.

5. That the terms to govern the settlement of liabilities for loss, damage and injury of every nature be left to the Law Departments of the two Companies to determine.

6. That the term of the agreement be until a general pool is established or failing such, for a minimum of one year.

7. That operating, traffic, accounting and law officers be instructed to meet and complete the basis of agreement, agree upon schedules, advertising arrangements, plans for the connection near Dorval and any other details.

(Signed) S. W. FAIRWEATHER,
Chairman,
Canadian National Section.

(Signed) G. HODGE,
Chairman,
Canadian Pacific Section.

MONTREAL March 7th, 1933.

EXHIBIT "C"

MONTREAL, September 11, 1933.

Mr. E. W. BEATTY, K.C.,
Chairman and President,
Canadian Pacific Railway,
Montreal, Que.

Dear Mr. BEATTY;—Referring to Report No. 10 of the Joint Co-operative Committee regarding an extension of the pool of passenger trains and our various discussions on this subject; the Committee appear to be in substantial agreement as regard the necessary changes in grain services to make an extension of the passenger train pool effective between Quebec and Montreal, Boston and Montreal, Montreal and Toronto, and Toronto-Sarnia-Windsor. They disagree as to the division of trains between Windsor Street and Bonaventure Stations in Montreal, and I understand are still studying the transcontinental train service situation.

In brief, as regards the Montreal Terminal situation, the contention of the Canadian Pacific section of the Committee is that all pool trains, and all important Canadian National non-pool trains should use Windsor Street station, making a total of 16 Canadian National and pool trains each way daily using Windsor Street, while no important trains, pooled or non-pooled, Canadian National or Canadian Pacific, would use Bonaventure. On the other hand, the Canadian National section of the Committee is of the opinion that, having regard to all circumstances, the pooled trains should be divided between the two stations, and suggests that the Boston-Montreal, Montreal-Toronto (forenoon), and one Montreal-Toronto night train should continue to use Bonaventure, a total of 4 pool trains each way daily, while the Quebec-Montreal and Montreal-Toronto fast afternoon train using C.N.R. tracks west of Dorval, and one Montreal-Toronto night train, making a total of 5 pool trains each way daily should use Windsor Street. In addition Montreal-Vaudreuil pooled suburban trains would use Windsor Street.

I believe it is agreed, as a result of investigation, that neither Windsor Street nor Bonaventure, having regard to the track approaches and the various necessary facilities, has sufficient capacity for all trains of both companies. Obviously, therefore, train services must be divided between the two Stations. In considering an apportionment of the trains it is not possible, having regard to the convenience of the public and to the necessity for economy, to bring all important Canadian National trains into Windsor Street station. Particularly is this true as regards the Maritime services. Nothing substantial would be gained. The public would be inconvenienced and expense for additional train service, otherwise unnecessary, would be incurred in such a plan.

The features of convenience to the public and the transfer of baggage, mail and express between the two stations have been thoroughly analyzed by our people. The study indicates that having regard to the practical necessity

of continuing to maintain the Canadian National Maritime services at Bonaventure, there would be much less disturbance and inconvenience under the arrangement whereby pool trains would be divided between the two stations than would be the case if they were all concentrated at one. It is, therefore, our view that the arrangement of dividing the trains between the two stations avoids many complications and provides the least disturbance to and from pooled areas and to and from beyond areas, quite apart from the question of prestige and public reaction.

The committee has been giving consideration to what could be accomplished in connection with our transcontinental service west of Montreal and the matter is, I think, being thoroughly explored. Sometime ago your section of the committee offered a suggestion which has been carefully studied, but its adoption would involve grave terminal complications at Winnipeg and in connection with the beyond Winnipeg business. The committee has now before it two alternative suggestions, one of which is to run consolidated trains from Toronto and Montreal respectively to the Sudbury area, exchange cars at a suitable point, and continue on their own lines from there, and the other is to lengthen the schedules from Toronto, Montreal, and Winnipeg sufficiently to permit your Company to withdraw one of its two trains for a considerable portion of the route. As stated to you orally, this Company is prepared to accept either of these alternatives.

The peak period of passenger business for the year is now past, and we may normally expect a decrease in the volume of passenger travel until next season. As the amount of money to be saved by the pooling is substantial, conservatively estimated to range from \$1,300,000 to \$1,400,000 per annum, depending upon how certain details are worked out, it is obviously desirable that an extension of the existing pooling arrangement should be put into effect as soon as practicable. Having regard to the pressing necessity for economy, can we not agree, to put a comprehensive extension of the pooling arrangement into effect, adopting one or the other of the transcontinental alternatives which do not involve terminal difficulties; divide the pooled trains between the two stations at Montreal, and leave the question of further terminal development for future consideration?

Yours faithfully,

(Sgnd.) S. J. HUNGERFORD,
Acting President.

CANADIAN PACIFIC RAILWAY COMPANY

ON LINE, Maple Creek Subdivision,

18th September, 1933.

Dear Mr. HUNGERFORD,—I have your letter of September 11, in reference to Report No. 10 of the Joint Co-operative Committee of August 11 concerning the use of the Montreal terminal facilities of the two companies.

The draft of the possible changes in train service to accomplish a general pooling arrangement in regard to which you intimate the Committee "appear in substantial agreement," was made as a study of the elimination and operation of the various services and was concerned with train schedules only. It was predicated upon the understanding that passenger train terminals and other important factors would necessarily have to be agreed upon later, and of these factors the terminals to be used in Montreal by the different services is perhaps the most important one having regard particularly to the best service to the public.

To avoid transfers and inconvenience to the public, we consider that the following services at least of both companies should be based upon one joint station: Maritime services, Boston-New York services, Ottawa services, Quebec services, Toronto services, Transcontinental services.

We are convinced that these services can readily and reasonably be brought into Windsor Street Station and it has never been suggested that they could be based upon Bonaventure Station.

The Second paragraph of your letter is a partial statement of the difference of opinion as set out jointly in Report No. 10. The position is clearly stated by the Joint Co-operative Committee and the views of the Canadian Pacific section of the committee remain unchanged.

The statement in the third paragraph of your letter might possibly lead to some misapprehension of the facts. It is recognized that the existing facilities of neither Windsor Street nor Bonaventure can accommodate *all* the trains of both companies. However, a sub-committee of the Joint Co-operative Committee studied the situation with a view to ascertaining to what extent the services of the two railways could be accommodated in one joint station and reported, in part, as follows:—

The present facilities of the Canadian Pacific from Montreal West to Windsor street station are adequate, without further capital expenditure, to handle all pool trains suggested to date presently based on Bonaventure and Windsor street station, as well as all remaining exclusive Canadian Pacific trains and trains of tenant lines presently based on Windsor street station.

The report also indicates that the Windsor street station facilities could be made adequate to provide for the combined maximum peak business of the past of both the Canadian National and the Canadian Pacific and all tenant lines based on Bonaventure and Windsor street stations at an expenditure small in comparison with the cost of any other method of providing for joint passenger terminal facilities.

The feature of convenience to the public would be involved in the volume of transfer of passengers and baggage between stations; the importance of such transfer would depend upon what trains are cancelled, what trains are pooled, the schedules of the remaining trains and what stations are used by pooled trains. Certainly it is evident that there would be more transfers where two stations are used for through traffic as you propose than with one, as proposed by the Canadian Pacific section of the Joint Co-operative Committee. As a matter of fact, with the use of one joint station for through traffic there would be no station to station transfer at all between such trains. With the use of one joint station there would be no disturbance by transfers to the pooled area traffic or to the "beyond" traffic.

As far as prestige is concerned, we believe that the use of one joint station by both companies would leave the reputation of both unimpaired. Such a bettered service on behalf of the public by the use of both Bonaventure and Windsor street stations in the joint service of both railways could not entail any unfavourable reaction, but would rather enhance the prestige of both and foster the sentiment that the railways are really co-operating according to the spirit of the recent legislation in the joint use of their facilities for the benefit of the travelling public.

A study of the proposals for the pooling of transcontinental trains east of Winnipeg will, I am sure, show that there are no insurmountable difficulties involved. We are convinced that to accomplish satisfactorily the pooling of the transcontinental services mentioned, to serve best the through traffic of both companies, and to protect their "beyond" traffic at Winnipeg as well as at Montreal, we should use one joint station for all important through trains at each place.

While we are agreed upon the desirability of extending the passenger pooling arrangement upon the ground of the need for economy, your suggestion that a comprehensive extension of the pooling arrangement be put into effect now—including some transcontinental services “which do not involve terminal difficulties”—appears to be irreconcilable with the view expressed in Report No. 10 by both our sections of the Joint Co-operative Committee that no further pooling can be done until the question of the use of Montreal terminals is settled.

The whole problem in all its details as it has come before our Joint Co-operative Committee is set out in the enclosure herewith entitled “Montreal terminal arrangements in the light of a passenger train pool”, dated August 24th 1933. This gives by precise quotation the Canadian National position and, by paragraphs, the Canadian Pacific comment. I would draw your attention particularly to the summary on page 9 and suggest that this form the basis for discussion, looking to an agreement at an early meeting of the Joint Executive Committee. I hope you will agree with me that it is in the best interests of both railways to make our pool service give the widest appeal to the public upon the grounds of greater convenience, easier access and better service; that we should do all we reasonably can to forestall adverse criticism of any sort; that the pooling arrangements including the joint use of both Bonaventure and Windsor Street stations as proposed will equitably distribute the burden and advantage between us, will furnish prompt and certain connections for through traffic without advantage or disadvantage to either company, will yield the greatest economy and will preserve and develop the Canadian and overseas traffic, particularly by the St. Lawrence route, to the greater convenience of travellers and to the general advantage of the Dominion of Canada.

In considering this question, I have made an effort to ascertain why there should be such a strong difference of opinion between the officers of our respective companies, and I have concluded that it is fundamental and that we have not a common appreciation of what the problem really involves. Obviously, the most important factor is the need for economy; secondly, the satisfying of the public convenience, and thirdly, improvement in service which may be consistent with the first consideration.

It has been suggested on more than one occasion that the prestige of either company, particularly your company because publicly owned, demands a series of balanced arrangements, also the Government and Parliament may think that there is some advantage being gained by the privately-owned company at your expense. To me this savours more of the swapping of jack-knives than the spirit of co-operation or regard for the needs of economy. I think I am correct in assuming that if a pool train to Toronto left Windsor Station and travelled from Dorval over the lines of the National, there could not possibly be any loss of prestige, the use of Windsor Station being only an instrument whereby both companies serve the travelling public better and more economically, and the reputation of either company could not in the nature of things suffer.

I cannot conceive of it being suggested that the prestige of the Canadian Pacific was impaired through using your Ottawa station or, in the old days, our use of your Toronto facilities. I do not think we can overestimate the sincerity of public opinion in the matter of joint services and facilities.

I am convinced the jointness of these services prevents any possible suggestion that one of us is obtaining an advantage at the expense of the other, if the terms are fair. I do not know of any suggestion which has been made looking to the greater use of Windsor Station which would adversely affect the position of your company, or which would do other than take advantage of a better terminal facility than Bonaventure offers, and which would by reason of its location add greatly to the convenience of the travelling public.

I do not know whether we can make progress by another meeting of the Joint Executive Committee or whether we must wait the appointment of the Board of Trustees. You are in a better position to judge as to the propriety of any action we may take in this respect, and I am quite willing to be guided by your judgment in the matter. I will, however, be free to attend any meeting after the 9th proximo and will be glad to do so.

If in the interim a discussion between your officers and ours, at which you and I would be present, would be beneficial, I shall be glad to arrange it because I really think we are trying to do an impossible thing as well as an unnecessary thing in endeavouring to balance the uses of two separate terminals in Montreal for pool services when the use of one would suffice.

I am very sorry to bother you with such a long letter, but my absence has prevented me from discussing the matter with you personally, which I would, naturally have preferred to do.

Sincerely yours,

(Sgd.) E. W. BEATTY.

S. J. HUNGERFORD, Esq.,
Acting President,
Canadian National Railways,
Montreal, Que.

MONTREAL TERMINAL ARRANGEMENTS IN THE LIGHT OF A PASSENGER TRAIN POOL *Canadian National Statement*

The Joint Co-operative Committee has reported dissent as regards the treatment of the Montreal Terminal facilities in arranging an enlargement of the pooling of duplicate competitive passenger trains in Eastern Canada. To quote from the dissenting report:—

The Canadian Pacific section feels that for maximum convenience to the travelling public and for the maximum economy and most effective use of facilities that all principle trains of both companies—whether pooled or not pooled—should use Windsor Street station. This would include: Maritime services, Quebec services, Boston-New York services, Toronto services, Ottawa services, Transcontinental.

The Canadian National section feels that the most practical solution of the terminal problem would be an apportionment of the pool trains between the two stations, and for that purpose suggest the following:—

- (a) All Montreal-Quebec pool trains use Place Viger and Windsor Street.
- (b) The fast afternoon Montreal-Toronto pool trains, both directions, use Windsor Street station.
- (c) Night pool trains, National and Pacific, Montreal-Toronto use Bonaventure and Windsor Street, as now.
- (d) Montreal-Toronto morning pool trains to use Bonaventure.
- (e) Montreal-Vaudreuil commuter service to use Windsor Street.
- (f) Transcontinental trains—if one pooled train is operated uses Windsor Street both directions. If two pooled trains are operated one to use Windsor Street and one to use Bonaventure.
- (g) Montreal-Boston pool services to use Bonaventure.
- (h) All non-pool trains including Maritime services to remain as at present.

Canadian Pacific Comment

The above is quoted from Report No. 10 of the Joint Co-operative Committee to the Joint Executive Committee. At practically no capital expenditure Windsor Street station is available as a Joint Station for the services suggested

by the Pacific. It would be an oversight on the part of railway managements to neglect so apparent an opportunity to secure a joint station to improve railway service, to obtain economies and to give the maximum convenience to the public by co-operation in accordance with recent legislation.

Canadian National Statement

The Canadian Pacific contention is that all principal train services, both pooled and non-pooled should use Windsor Street Station. In giving consideration to this contention the following points should be noted:—

1. It is impracticable from an operating standpoint to bring all principal services into Windsor Street. This is particularly true as regards the Maritime Services. The Canadian Pacific suggest lengthening the schedule by from 30 to 45 minutes of their Maritime trains and of the Canadian National Maritime Trains, and bringing the latter into Windsor Street by any one of the following routes:—
 - (a) Via the St. Hyacinthe-Iberville line to connect with the Canadian Pacific at St. Johns.
 - (b) Via St. Lambert-Brosseau Jct.-Delson Jct.
 - (c) Via the Quebec bridge and the Canadian Pacific north shore line.

The first alternative would require the rehabilitation to main line standard of 28 miles of abandoned line. It would also require additional train service between Montreal and St. Hyacinthe. The Maritime Service schedules would be lengthened at least 45 minutes.

The second alternative would bring the C.N. Maritime trains within sight of Montreal, then subject them to a circuitous movement of 26 miles, and is unthinkable.

The third alternative would require expensive substitute train service, at least one train between Levis and Montreal—possibly two, on the south shore, as well as a lengthening of the Maritime service schedules.

Canadian Pacific Comment

The statement is made by the National that it is impracticable to bring all principal services into Windsor Street Station but no evidence is submitted to support this bare statement. The Pacific considers that all the proposed pool trains and the important non-pool trains involved in the pooling arrangement can be satisfactorily based upon Windsor Street Station.

It is stated that the National Maritime trains could not use Windsor Street station. Three methods of doing this were suggested by the Pacific and it was felt that the best could be chosen. It is the Pacific's opinion that the use of the Quebec Bridge and the Pacific north shore line would be the best solution. Under this arrangement the Maritime trains of the National would use the joint station at Windsor Street and connect with all important pool and non-pool trains.

The National's first objection to this arrangement is that it would require expensive substitute train service. Any general pooling arrangement will involve some replacement train miles. In the early discussions the National proposed the abandonment of the two day trains and one night train Montreal-Quebec, but later proposed, in order to meet their intermediate conditions, to maintain at their own expense one day train each way Montreal-Quebec. Such train under the Pacific proposal could serve the territory between Charny and Montreal from which the Maritime trains of the National would be withdrawn.

The second objection is that of lengthened schedules for their Maritime trains. The Pacific points out that it may not be necessary to lengthen the schedule as the proposed route adds about 20 miles only to an 841 mile service. Even if the schedule had to be lengthened, the Pacific agrees to make comparative schedules Montreal-Moncton. This is not a serious matter in an overnight service. The Pacific's proposal offers the National for their non-pool traffic east

of Levis the advantage of using Windsor street station, Westmount, Montreal West, Park Avenue and Three Rivers and, in addition, provides more trains between those stations and Quebec (Bridge Station) for the pool traffic of both companies.

Canadian National Statement

2. The main argument advanced in favour of the Canadian Pacific contention was that it would reduce transfers of passengers and baggage to a minimum. This argument is not sound in view of the fact that the Canadian National Maritime services must remain at Bonaventure and that transfers between the principal services proposed to be removed to Windsor street and the services remaining at Bonaventure as well as train services transferred from Windsor street to Bonaventure so as to permit of the accommodation of principal services at Windsor station, would be accentuated.

An analysis of transfers of passengers and baggage based on detail records of the trains follows:—

3. The importance of passenger transfers in Montreal is apt to be exaggerated

- (a) The total potential transfers between trains at Bonaventure amounts to an average of 90 a day with approximately 45 pieces of baggage, and inasmuch as the total passengers in and out of Bonaventure is greater than the total passengers in and out of Windsor street, the Canadian Pacific figures in all probability are less, although the actual number is not presently available.
- (b) Of these 90 passengers a large proportion undoubtedly will exercise stop-over privileges, so that the number of passengers desiring immediate transfer between connecting trains is small.
- (c) In any event the heaviest transfer movement of passengers at Bonaventure is in connection with the Maritime trains and amounts to an average of 53 per day with accompanying baggage of 25 pieces.
- (d) The arrangement of train services as suggested by the Canadian Pacific, but modified of necessity as to the Maritime trains, would create an average of 63 transfers per day of C.N. passengers between stations with accompanying baggage of 30 pieces. This is an under-statement of the total transfers if any local services are displaced from Windsor street.
- (e) If the pooled trains be apportioned between the two stations in the manner suggested by the Canadian National, the number of transfers per day between the two stations would average 17 with accompanying baggage of 8 pieces.

Canadian Pacific Comment

The main argument advanced in favour of the Pacific contention was that it would facilitate the prompt handling of through passengers, baggage, mail, express, and equipment in a manner impossible to attain if Pool and important non-Pool trains were based upon both Windsor street and Bonaventure Stations suggested by the National.

The National argument against this proposal is based on the statement that their Maritime trains cannot come into Windsor street station. The Pacific believes that these Maritime trains can be based on Windsor street station with advantage to the passengers using them, to the general advantage of the pooling arrangements and that this can be done without disadvantage to either Railway in the handling of competitive non-pool traffic to and from the Maritimes.

It is not possible fairly to set up or compare any statements of the volume of passenger, baggage, mail, express or equipment transfers between Bonaventure and Windsor street stations until there is a definite mutual agreement as to

what rains will be cancelled, and the schedules of, as well as the stations to be used by, the pool trains agreed upon. For example the National chart of transfers shows 23 passengers ex their No. 2 at Montreal for east of Levis—a requiring transfer under the Pacific proposal—and two for Quebec on the same train requiring transfer under the National proposal, whereas they have stated in Report No. 10 that if under pooling arrangements one transcontinental train operates it should use Windsor street station in both directions, which exactly reverse these chart figures. Any statement of transfers to be of value should be prepared jointly.

The operation of the pool trains Montreal-Quebec over the lines of the Pacific, to and from Windsor street station, and the Montreal-Boston trains over the National, to and from Bonaventure station, will preclude the operation of regular, or even special, through cars between New England and Quebec, or the operation of through cars between Quebec-Toronto-Chicago on the day or night trains over the National, which the National claims should run to and from Bonaventure station or of regular or special movements of through express or passenger cars between New England and Winnipeg, and beyond, if the Montreal-Boston trains use Bonaventure and the transcontinental trains use Windsor street station. The Canadian National proposal would also make it difficult, not impossible, to satisfactorily handle through Empress Steamship traffic including through car movements, between Quebec and points west of Montreal as these movements are frequently dependent upon close connections at Windsor street station and Montreal West.

Canadian National Statement

4. The express situation would not be at all satisfactory under the Canadian Pacific proposal.

- (a) The Canadian National has spent a large amount of money in creating modern fruit facilities in the Bonaventure area and a considerable portion of the traffic is carload express traffic moving on principal trains. Approximately 900 express cars are switched to these facilities from Bonaventure station tracks per year. With these cars arriving in Windsor street, delay and expense would be encountered.
- (b) There is a transfer of carload express between trains at Bonaventure averaging 3 cars per week, and there is also a considerable interchange of express cars between trains at Bonaventure to avoid handling of L.C.L. express. The average number of express cars interchanged between trains at Bonaventure is 20 per week and of these the number that would be changed into inter-station transfers under the Canadian Pacific proposal, modified as regards the Maritime services, would be 16 per week.
- (c) The actual amount of L.C.L. express transfers between trains at Bonaventure averages 40 tons per day. Under the Canadian Pacific proposal, modified as regards the Maritime services, there would be no transfer between stations of L.C.L. express to the extent of 30 tons daily.
- (d) On the plan of the Canadian National, the transfer of L.C.L. express between stations would probably be as follows:

	tons daily
C.N. Express..	5.5
C.P. Express..	2.5
Total..	8.0

- (e) As regards carload express business, the Canadian Pacific carload traffic which might be handled on trains No. 5 and 14 operated from Bonaventure would require a transfer. The amount of this traffic is not known."

Canadian Pacific Comment

The Pacific does not agree that the figures set out in the National submission correctly state the transfer under either the Pacific or the National proposal. As previously pointed out, in fairness to both services it is not possible to set up, or compare, any statements of the volume of express transfers between Bonaventure and Windsor Street Station until there is a definite agreement as to what trains will be cancelled, and the schedules of, as well as the stations to be used by, the pool trains agreed upon. Further, it is hoped that a unification of express services will be effected which in itself should make it possible to overcome any difficulties of handling express, both on the road and at Montreal.

Even if there were a greater transfer than the figures indicate the proposition that Windsor Street Station should be used as a joint station in passenger pool service would not be invalidated. Any disadvantage to express transfer would be insignificant in comparison with the development of a passenger train pool involving the elimination of at least three million train miles.

The Pacific submits that a serious consideration of this problem by Express and Railway officers would result in finding a solution satisfactory to both railways.

Canadian National Statement:

5. The transfer of mail at between the stations as it is at present and as it would be under the Canadian Pacific proposal, modified as regards the Maritime services, and as it would be under the Canadian National proposal, is set forth in the following table:—

	Present	Canadian Pacific Proposal	Canadian National Proposal
Transferred, Bonaventure to Windsor.. . . .	330	434	341
Transferred, Windsor to Bonaventure.. . . .	304	477	304
Total.. . . .	634	911	645

Canadian Pacific Comment

The Pacific does not agree that the figures set out in the National submission correctly state the transfer under either the Pacific or the National proposal. As previously pointed out, in fairness to both services it is not possible to set up, or compare, any statements of the volume of mail transfers between Bonaventure and Windsor Street stations until there is a definite mutual agreement as to what trains will be cancelled and the schedules of, as well as the stations to be used by, the pool trains agreed upon.

The Pacific believes that with the use of Windsor Street as a joint station under the general pooling arrangements proposed, changed conditions, if any, in connection with mail transfers between Windsor Street and Bonaventure stations would not be such as to have any material effect, one way or the other, upon the service.

The Pacific submits that a serious consideration of this problem by Mail and Railway officers would result in finding a solution satisfactory to both railways and to the Postal service.

Canadian National Statement

6. A Canadian Pacific criticism of the Canadian National proposal is that it seriously depreciates through connections to and from Chicago from Windsor Street.

- (a) So far as C.P.R. trains Nos. 21 and 22 are concerned, they can be made into through connections readily by an interchange of equipment at Toronto or London.
- (b) The C.P. would have the advantage of Canadian National No. 16 operating from Windsor Street with through equipment to Chicago.
- (c) The Chicago connection of C.P. trains Nos. 20 and 37 admittedly would be handled to and from Bonaventure. From the records of the corresponding Canadian National trains, the number of through passengers requiring close connection is very small, probably averaging less than 3 per day.
- (d) If the Canadian Pacific traffic requires a day connection at Montreal to Chicago in both directions it could be furnished eastbound by making connection between the two lines at Vaudreuil, which can be arranged quite simply, and by putting a sleeping car or parlour car on C.N. No. 14 from Chicago which would be set off at Vaudreuil and hauled to Windsor Station by the return movement of a C.P. suburban train. The connection could be made a close one and the arrival time in Montreal would be as satisfactory as No. 14. The westbound day connection to Chicago would be via No. 15.

Canadian Pacific Comment

There has been in the past, and there is now, a considerable overseas passenger traffic movement by the lines of the Pacific and its connection between Quebec and Chicago, and it has been the custom frequently to extend the regular Montreal-Chicago through sleeping car lines to operate between Chicago and Quebec, or place extra cars in such service. The pooling arrangement now under consideration contemplates that the Pacific would discontinue service via Windsor and Detroit and its connection, and that all the Chicago overseas traffic would be handled by the lines of the National.

The principal eastbound movement for steamship connection from Chicago under the National proposal would be on their No. 20 from Chicago at 9.05 a.m. into Bonaventure station on pool train No. 16 the following morning, and the connecting pool service to Quebec via the lines of the Pacific from Windsor Street station, making it impossible to extend regular sleeping car lines or to handle extra cars through to Quebec in such service.

The National statement suggests that through cars from Chicago for Quebec might be transferred from the National pool train No. 20 to Pacific pool train No. 22 from Detroit at London at about 7.00 p.m. or at Toronto between 10.30 and 11.00 p.m., which might be accomplished if and when special through cars are operated for steamship traffic only. There are coach and sleeping car passengers each day for several days prior to Quebec sailings from Chicago and west and from Detroit and southwest. It would not be possible to provide through car service for both routes from west of London unless both trains use one station in Montreal, or unnecessary car miles were operated.

Similar difficulties would arise in connection with other through connecting movements and the transferring of through cars from one railway to the other at Vaudreuil, or even at Dorval, is not a practical operating arrangement.

The Pacific admits that a through United States service for the Atlantic Steamship business via Montreal is of paramount importance now and will be increasingly so in the future for the growth and welfare of passenger transportation in the Dominion of Canada. To make sure that Quebec, Halifax

Saint John Steamship business will receive prompt and certain handling at Montreal it is essential that all through connections be made at our station. It is unreasonable to expect to properly handle ocean traffic which in the nature of things must move under uncertain conditions, by using two stations at Montreal, involving as this would the disability of transferring between stations at Montreal with the resulting possibility of such delays and inconvenience as would militate against the advantages of the Canadian ports. Using one station at Montreal for this traffic, it would be possible to continue to develop the Canadian Atlantic routes to the benefit of both the railways and the nation at large.

Canadian National Statement

7. "An advantage of the Canadian National proposal is that by apportioning the pooled train services between the two stations the effect of the pooling of services on the beyond business will be minimized. This is of special importance in Montreal since it is the largest originating traffic centre in Canada. Various methods of detecting and remedying disturbances in beyond business as a result of the pool are being explored, and no pooling arrangement can be made effective until this point is satisfactorily dealt with. Whatever formula may be devised for protecting each Company's interests by compensatory payments with regard to disturbance of the beyond business, it is desirable that the actual disturbances be kept as small as possible."

Canadian Pacific Comment

The advantage claimed for the National proposal is not in accordance with the facts. If all the traffic to, from, or passing through the pool territory west of Montreal to and from the non-pool territory east of Lévis and Sherbrooke uses one station in Montreal in both directions, it is clear that there would be no transfers between stations. The Pacific submits that this is the logical arrangement to best serve the public and it can be accomplished without disadvantage to either service. It is equally clear that if some of the trains are apportioned to one station and some to the other there must be inequalities to both railways due to forcing certain traffic to use the "beyond" services of one railway or the other to avoid transfer between stations. There can be no better protection of "beyond business" than that of having the pool trains and the principal non-pool trains of both railways run into and out of one station at Montreal. This is substantiated by the present use of common facilities in Toronto and in Ottawa where the question of "beyond business" does not arise.

Canadian National Statement

8. "Windsor station for decades has been identified with the Canadian Pacific Railway. The two terms are practically synonymous. It would take at least a decade to educate the public into thinking of Windsor Street as a central union station. The suggestion of the Canadian Pacific that both Windsor Street and Bonaventure be made union stations would not remove this objection if, as is suggested, all the principal trains used Windsor Street and only subsidiary services used Bonaventure."

Canadian Pacific Comment

The Pacific submits that undue emphasis is being placed by the National on the possibility of injury to their interests by extending the use of Windsor Street station. If Windsor Street station was used by the National for the pool and their principal non-pool trains the situation would be practically equivalent to that existing at Toronto and Ottawa, where it is not claimed there is any material disadvantage to the Pacific in using property originally

owned by, and generally recognized as belonging in large part to the National. The pooling arrangements under discussion call for the abandonment of Pacific tracks for important Montreal-Toronto-Windsor-Chicago services. Because of its possible detrimental effect upon the position of the Pacific in relation to freight as well as passenger traffic in international movement, and in a very important industrial and densely populated part of Canada, the Pacific submits that this would constitute a greater contribution to the proposed pooling arrangement than the use of one joint station at Montreal.

The use of Windsor Street station in joint service, the common advertising of both railways therein, with the presence of cars and engines and the uniformed crews of both railways, would immediately emphasize the fact that the facility was being used jointly. Certainly, the common use of this station would have no tendency to submerge the identity of the National trains; they would be brought prominently to the attention of a public that formerly did not see them at close quarters.

Canadian National Statement

9. "From the broad standpoint of public relations, to avoid interjecting public and employees partisan sentiments into the co-operative movement, it is desirable to apportion the pooled trains between the two terminals in Montreal rather than plump them into one or the other station. By apportioning the trains the public would realize that the two companies were attempting to secure a balance of benefits and of burden resulting from co-operation. If they were plumped into one or the other station the public would infer that the company losing the train services had gotten the worse of the bargain—an attitude on the part of the employees and public which would make co-operation extremely difficult, if not impossible."

Canadian Pacific Comment

By recent enactment the people of Canada have enjoined the two railways to co-operate. There can be no better way of showing that this is being done than for the two railways to use together the best station in Montreal, the largest city of the Dominion, in the common service of the travelling public. To use both stations in such pooled service as could be arranged under such conditions would but emphasize the lack of co-operation as is now being shown daily by the use of both stations for the fast trains between Montreal and Toronto. The public comment on this arrangement is far from flattering to the wisdom of the two railways. The traveller feels he is being inconvenienced to satisfy the amour-propre of the railway man whose first consideration should be the convenience of that public by the favour of which he lives. No opinion adverse to co-operation should arise in the minds of the employees or of the public by using Windsor Street station jointly. It is so eminently the thing to do that the public probably wonders why so obvious an economy has not been practised long since, in view of Parliament's expressed direction that joint economies must be practised. That some employees who might be displaced will not like it is not denied. However, the proposal to jointly use one station at Montreal is no different in kind from those which have been, and must be, made throughout Canada if any substantial progress is to be made in securing co-operative economies. The fact that this contemplates co-operation at the headquarters of both railways and in the largest and most important city in Canada is all the more reason why this co-ordination should be accomplished.

Every economy will, in some measure, lead to labour embarrassments, at least temporarily, but no three-million-dollar economy should be delayed because some employees of either road do not favour it. In any event the available work would be shared equitably between the employees of both

railways and in a comparatively short time the normal labour turnover would provide for those temporarily displaced. There is no reason why the merged staffs should not work harmoniously, without partisan sentiment, in the common interests in the same manner as joint staffs elsewhere now function.

The terminal question in Montreal is not a problem which, if settled by the joint use of Windsor Street station is likely to impede the successful institution of that or of subsequent economies. This solution should commend itself to the majority of people, who would welcome the economy that would follow, and who should be quickly sensible of the benefits that would immediately accrue to the travelling public.

Canadian National Statement

10. "To recapitulate, the Canadian Pacific proposal is not feasible as regards, the Maritime services. It produces much greater transfer of passengers, baggage, mail and express than the alternative Canadian National proposal, as will be seen from the following tabulation:

Transfers between Stations in Montreal

Unit	Can. Pac. proposal	Can. Nat. proposal
No. of passengers... .. Nos. daily average	63	17
Pieces of baggage... .. Nos. daily average	30	8
Mail bags... .. Pouches daily average	911	645
C.L. Express... .. Pounds daily average	60,835	16,148
Express cars through Montreal... .. Cars weekly average... ..	16	(See note)
C.N. Express cars to fruit warehouse... .. Cars annually... ..	900	Nil

NOTE.—Transfer of C.P.R. carload express which might be handled by pooled trains C.N. No. 5 and No. 14 is not known.

The Canadian National proposal, in addition to minimizing the transfers as above, likewise produces the least disturbance to existing traffic conditions, and apportions the benefits and disadvantages resulting from the pooling in reasonably equitable proportions.

Canadian Pacific Comment:

It has not been shown that the National Maritime trains cannot use Windsor Street station. The figures given in the column "C.P. proposal" are not based upon the train operations proposed by the Pacific. The Pacific submits that any statement of transfers, to be of value, should be prepared jointly, and is satisfied that any such statement will show definitely the correctness of its position that there would be far less transfers under its proposal than under that of the National.

The National transfer statement is based upon its contention that the National Maritime trains must use Bonaventure station, and without regard to the possibility of operating one pool train Montreal-Winnipeg as suggested by the Pacific on July 25, which the National agrees in Report No. 10 if so pooled mail use Windsor street station in both directions.

In summary the Canadian Pacific submits—

That Quebec, Boston, Toronto, Chicago and Winnipeg through passenger train traffic of the National and the Pacific to, from, and passing through Montreal, if based on a joint station in Montreal can be handled in pool services.

That it is necessary for the satisfactory working out of these pooling arrangements to have the through trains to and from the Maritime carrying competitive non-pool traffic based upon this same joint station; moreover, this is the only way in which this can be done without disadvantage to either railway and with advantage to the travelling public.

That for maximum convenience to the travelling public and for maximum economy to the Railways the desirability of having a joint station in Montreal for this traffic is obvious.

That the passenger traffic passing through Montreal under the proposed pooling arrangements cannot be handled in any other way without inconvenience to the public and disadvantages to both railways.

That a joint station at Montreal can be established with neutral merged staffs working in the common interests of both railways without detriment to the best interests of either railway or of their employees.

That Windsor street station is available at practically no capital expenditure to handle both the National and the Pacific: Maritime services, Boston New York services, Ottawa services, Quebec services, Toronto services, Transcontinental services.

That these services can readily and reasonably be brought into Windsor street station.

That the bringing of these services into Windsor street station is necessary for the prompt handling of through connections among the pool and principal non-pool trains of both railways.

That this arrangement will reduce transfer of passengers, baggage, mail, express and equipment between Bonaventure and Windsor street stations to a minimum.

That for such transfers of mail and express as there may be under the proposed use of a joint station satisfactory arrangements can be worked out.

That with pooling of trains as proposed the handling of overseas passenger and mail through Montreal cannot be satisfactorily accomplished otherwise.

That the development of Canadian and International overseas traffic particularly by the St. Lawrence route, with the greatest possible convenience to passengers, is in the general interests of Canada.

That the use of Windsor street station by the National, as suggested, will result in an equitable distribution of burden and advantage as between the National and the Pacific in connection with the pooling of passenger train services in Eastern Canada as proposed without detriment to "beyond" business to either railway.

That to accomplish the economy of about three million dollars a year the use of Windsor street as a joint station, as suggested by the Pacific is necessary.

That a decision must be made upon Report No. 10 to the Joint Executive as to whether all pool trains and the principal non-pool trains of both railways shall be based on Windsor street station as suggested by the Pacific, or be divided between Bonaventure and Windsor street station as suggested by the National.

Montreal, August 24, 1933.

OCTOBER 16, 1933.

Dear Mr. BEATTY,—I have your letter of the 18th of September and not with regret you cannot agree to the plan suggested in my letter of September 1 for the immediate extension of the pooling arrangement.

I gather from your letter that the Canadian Pacific stand is that the broad gauge passenger train pool cannot be made effective until the Canadian National agree that all principal trains, pooled and non-pooled of both systems and all their tenant lines, should operate to and from Windsor street station.

It appears to me that the fundamental difference of opinion between the respective companies is that the Canadian National is desirous of effecting the largest possible immediate economies using the facilities of both railways, while the Canadian Pacific is desirous, along with the train pool, of bringing the terminal question to a finality. In view of the profound difference of opinion

on the terminal question and the urgent need for economies, may I suggest that we turn our immediate attention to a field of co-operative passenger train economy where our views may be in agreement. I have in mind the transcontinental service.

In my letter of September 11 I intimated that the Canadian National would be willing to co-operate with the Canadian Pacific in effecting transcontinental passenger train service economies, and I put forward two proposals, either, or both of which would be acceptable to the Canadian National. Neither of these proposals involve the question of union terminal facilities. The first proposal which contemplates slowing the transcontinental service of both companies between Winnipeg-Toronto-Montreal sufficiently to enable the consolidation of Canadian Pacific transcontinental trains in a manner similar to the consolidation which the Canadian National effected in 1931 strikes me as being the simplest solution, and one which could be made effective immediately. The Canadian National would also gladly co-operate with the Canadian Pacific Railway in the establishment of joint consolidated trains Toronto to Coniston and Ottawa to Coniston where the proper exchange of cars could be effected.

If the economies in connection with the latter proposition are to be realized this winter a prompt decision is required in order that the necessary connections may be constructed before the freeze-up. I shall be glad to discuss the matter with you at your convenience.

Yours faithfully,

(Sgnd.) S. J. HUNGERFORD,

Acting President.

H/M.

E. W. BEATTY, Esq., K.C.,
Chairman and President,
Canadian Pacific Railway Company,
Montreal, Que.

CANADIAN PACIFIC RAILWAY

AT TORONTO, 19th October, 1933.

Dear Mr. HUNGERFORD,—Referring to your letter of October 16 regarding the extension of passenger train pooling arrangements.

The Canadian Pacific's stand is not primarily that "the broader passenger train pool cannot be made effective until the Canadian National agree that all principal trains, pooled and non-pooled, of both systems, and all their tenant lines, should operate to and from Windsor street station," as stated in your letter. Our position throughout the negotiations has been that it is not simply a question as to which of two stations shall be used, but that for maximum convenience to the travelling public, for maximum economy to the railways, and for other reasons set forth commencing on page 9 of the memorandum which accompanied my letter to you of September 18, all trains between which there is substantial interchange of traffic must be based upon one station in Montreal to avoid great inconvenience to the public and disadvantage to both companies. Our proposal contemplated that Windsor street and Bonaventure stations should be used for the maximum joint advantage of both companies.

The Canadian Pacific is just as anxious as the Canadian National can be of effecting the largest possible immediate economies using the facilities of both railways," but considers these facilities should be jointly used to the best advantage. The Canadian Pacific's suggested use of the facilities obviously does not result in "bringing the terminal question to a finality," but it does provide the most satisfactory method for handling the traffic passing through Montreal without disadvantage to either company.

The consolidation of Canadian Pacific Winnipeg-Toronto-Montreal trans-continental trains has been studied previously from time to time and under traffic conditions heretofore has been found impracticable, but I am asking our officers to again review this situation in the light of a pool service as well as a non-pool service.

Your proposal for the establishment of joint consolidated trains in trans-continental service Toronto-Coniston and Ottawa-Coniston, contemplating a saving of approximately 300,000 train miles, in our opinion would not produce the economies or serve the public as well as our proposal to consolidate Montreal-Winnipeg and Toronto-Winnipeg services of the two companies, producing a saving of probably 600,000 train miles.

However, as stated in Mr. C. B. Foster's letter of October 11 to Mr. C. W. Johnson, the Canadian Pacific section of the sub-committee on passenger train service is prepared, when the Canadian National section is ready, to discuss both the Canadian Pacific proposal of July 25 and the alternative submitted by the Canadian National on September 8.

Unless I am to understand from your letter that progress upon the Joint Co-operative Committee's Report No. 10 of August 11, involving a possible saving of three million train miles a year must await the appointment of the Board of Trustees, quite apart from the consideration of the consolidation of transcontinental trains, as suggested in my previous letter I believe that we should immediately endeavour to find a solution to the problems at issue which are delaying the effecting of the large economies possible through the pooling of duplicate train services.

Sincerely yours,

(Sgnd.) E. W. BEATTY.

S. J. HUNGERFORD, Esq.,
Acting President,
Canadian National Railways,
Montreal, Que.

EXHIBIT "D"

CANADIAN NATIONAL RAILWAYS CANADIAN PACIFIC RAILWAY

*Minutes of Meetings held at Montreal, Wednesday and Thursday,
July 12-13, 1933*

Present

Canadian National: Messrs. S. W. Fairweather, C. W. Johnston, R. L. Fairbairn, J. W. Wardlaw, E. C. Elliott, O. Masse, J. A. Murphy, M. J. Piggott, C. Forrester, F. L. C. Bond, F. A. Rutherford, J. E. Morazain, J. J. Sundlerland.

Canadian Pacific: Messrs. C. B. Foster, G. E. Carter, G. Fulton, G. T. Coleman, J. W. Savage, H. C. Grant, N. McMillan, H. Macnabb.

Tuesday, July 18, 1933

Present

Canadian National: Messrs. C. W. Johnston, R. L. Fairbairn, J. W. Wardlaw, J. F. Pringle, J. A. Murphy, C. Forrester.

Canadian Pacific: Messrs. C. B. Foster, H. C. Grant, J. W. Savage, G. E. Carter, G. Fulton, N. McMillan.

Item 1—Montreal, Ottawa, Toronto

C.N. No. 5—	Proposed daily	Present daily	Train miles per annum increase or decrease
Lv. Montreal.. . . .	9.30 a.m.	9.30 a.m.	
Ar. Brockville.. . . .	11.55 a.m.	11.55 a.m.	
Lv. Brockville.. . . .	12.05 p.m.	12.01 p.m.*	
Ar. Belleville.. . . .	2.20 p.m.	2.15 p.m.*	
Lv. Belleville.. . . .	2.25 p.m.	2.25 p.m.	
Ar. Toronto.. . . .	5.30 p.m.	5.15 p.m.	

C.N. No. 14—

Lv. Toronto.. . . .	8.45 a.m.	8.45 a.m.**	
Ar. Brockville.. . . .	2.00 p.m.	2.00 p.m.**	
Lv. Brockville.. . . .	2.05 p.m.	2.05 p.m.	
Ar. Montreal.. . . .	4.30 p.m.	4.30 p.m.	

*Through parlour car Ottawa to Toronto.

**Through parlour car Toronto to Ottawa.

No. 5 and 14 to be pool trains between Montreal and Toronto.

	Proposed daily	Present daily	Train miles per annum increase or decrease
C.P. No. 555—			
Lv. Ottawa.. . . .	9.10 a.m.	7.55 a.m.	
Ar. Carleton Place.. .	10.20 a.m.	9.05 a.m.	
No. 563—	Daily	Ex. Sun.	
Lv. Carleton Place.. .	10.30 a.m.	10.30 a.m.	
Ar. Brockville.. . . .	11.50 a.m.	11.50 a.m.	
C.P. No. 562—			
Lv. Brockville.. . . .	2.10 p.m.	2.55 p.m.	
Ar. Carleton Place.. .	3.45 p.m.	4.30 p.m.	
C.P. No. 558—			
Lv. Carleton Place.. .	4.00 p.m.	4.35 p.m.	
Ar. Ottawa.. . . .	5.00 p.m.	5.35 p.m.	Increase 8,112

Nos. 555-563 and 562-558 to be pool trains Ottawa and Brockville—

C.P. are considering not providing on Sundays the Ottawa-Brockville connections for Trains 5 and 14, providing this connection means operating two round trips Brockville-Carleton Place.

Cancellation of C.P.R. 552 and 553, Ottawa-Bedell, which operate daily, and Nos. 548 and 549, Bedell-Prescott, which operate twice a week. The cancellation of these trains means a decrease of 27,655 miles per annum.

Train miles per
annum
increase or decrease

	Proposed	Present	
C.P. No. 555—		Tu., Thu., Sat.	
Lv. Pembroke.. . . .	Cancel	11.25 a.m.	
Ar. Chalk River.. . . .		12.00 noon	
C.P. No. 558—			
Lv. Chalk River.. . . .	Cancel	1.15 p.m.	
Ar. Pembroke.. . . .		1.50 p.m.	Decrease 6,614
C.N. No. 9—		Ex. Sun.	
Lv. Belleville.. . . .	Cancel	6.00 p.m.	
Ar. Toronto.. . . .		8.50 p.m.	
No. 5 given additional time (15 minutes)			
Belleville-Toronto to do work.			
C.N. No. 10—		Ex. Sun.	
Lv. Toronto.. . . .	Cancel	2.30 p.m.	
Ar. Belleville.. . . .		5.20 p.m.	

The decrease, which is 70,800, is not shown in connection with this item, as it was taken into account in the previous pool Montreal-Toronto and Ottawa-Toronto.

The cancellation of Train No. 9 Belleville-Toronto will seriously interfere with the pick-up of express. This is to be put up to our Express Representatives to ascertain the following—If C.P. mixed train can be scheduled later so as to do the work Trenton to Toronto, or the Express people to put a truck on the highway.

	Proposed	Present	
	ex. Sun.	ex. Sun.	
C.P. No. 35—			
Lv. Montreal.. . . .	7.00 a.m.	7.00 a.m.	
Ar. Smiths Falls.. . . .	10.50 a.m.		
Lv. Smiths Falls.. . . .	11.05 a.m.		
Ar. Toronto.. . . .	5.30 p.m.	6.20 p.m.	
	ex. Sun.	ex. Sun.	
C.P. No. 36—			
Lv. Toronto.. . . .	8.30 a.m.	9.00 a.m.	
Ar. Smiths Falls.. . . .	3.10 p.m.	3.50 p.m.	
Lv. Smiths Falls.. . . .	4.30 p.m.		
Ar. Montreal.. . . .	8.30 p.m.	8.25 p.m.	
Nos. 35 and 36 are non-pool trains.			
	Proposed	Present	
	daily	daily	
C.P. No. 21—			
Lv. Montreal.. . . .	11.15 p.m.	10.45 p.m.	
Ar. Toronto.. . . .	7.45 a.m.	7.15 a.m.	
	daily	daily	
C.P. No. 22—			
Lv. Toronto.. . . .	11.15 p.m.	10.45 p.m.	
Ar. Montreal.. . . .	7.45 a.m.	7.00 a.m.	
No. 21 and No. 22 to be pool trains, Montreal and Toronto.			

			Train miles per annum increase or decrease
	Proposed daily	Present daily	
C.N. No. 17—			
Lv. Montreal.	11.30 p.m.	10.59 p.m.	
Ar. Toronto.	7.20 a.m.	7.15 a.m.	
	daily	daily	
C.N. No. 16—			
Lv. Toronto.	11.30 p.m.	10.59 p.m.	
Ar. Montreal.	7.45 a.m.	7.00 a.m.	
No. 17 and No. 16 to be pool trains, Montreal and Toronto.			
	Proposed	Present	
		daily	
C.P. No. 20—			
Lv. Toronto.	Cancel	8.45 a.m.	
Ar. Montreal.		4.25 p.m.	
		daily	
C.P. No. 37—			
Lv. Montreal.	Cancel	8.40 a.m.	Decrease 248,566
Ar. Toronto.		4.20 p.m.	
	Proposed	Present	
	tri-weekly	ex. Sun.	
C.P. No. 613—			
Lv. Kingston.	10.35 a.m.	10.35 a.m.	
Ar. Tichborne.	12.01 noon	12.01 noon	
	tri-weekly	ex. Sun.	
C.P. No. 614—			
Lv. Tichborne.	1.00 p.m.	1.00 p.m.	
Ar. Kingston.	2.45 p.m.	2.45 p.m.	Decrease 11,930
Train No. 15—The schedule of this train Montreal-Toronto-Chicago is sub- ject to study as it is felt the train should leave Montreal later in order to better serve the public. Decision will be reached later. Mr. Pringle advised he would study the schedule of No. 15, adjusting intermediate times so as to give more time at Oshawa for the loading of express.			
Train No. 6—Toronto to Montreal—It is understood that this train is to arrive Windsor Station—times Toronto, Belleville, Brockville, and Montreal same as at present.			
<i>tem 2—Toronto-Sarnia-Windsor</i>			
C.N. No. 15—			
	Proposed	Present	
		daily	
Lv. Toronto.	See	9.45 p.m.	
Ar. Sarnia.	Note	1.35 a.m.	
Ar. Chicago.	Above	8.10 a.m.	
C.N. No. 6—			
Lv. Chicago.	See	11.00 p.m.	
Lv. Sarnia.	Note	9.50 a.m.	
Ar. Toronto.	Above	3.15 p.m.	
Nos. 15 and 6 to be pool trains, Toronto-Sarnia.			

Train miles per
annum
increase or decrease

C.N. No. 5—

	Proposed daily	Present daily
Lv. Toronto.. . . .	5.45 p.m.	5.25 p.m.
Ar. Hamilton,	6.40 p.m.	6.33 p.m.
Lv. Hamilton.	6.47 p.m.	6.40 p.m.
Ar. London.. . . .	9.05 p.m.	9.00 p.m.
No. 105—		
Lv. London.. . . .	9.20 p.m.	9.15 p.m.
Ar. Windsor.. . . .	11.40 p.m.	11.40 p.m.
Ar. Detroit.. . . .	12.30 a.m.	12.30 a.m.
No. 5—		
Lv. London	9.22 p.m.	9.17 p.m.
Ar. Sarnia.. . . .	10.42 p.m.	10.42 p.m.

Nos. 5-105 to be pool trains Toronto-Windsor-Sarnia.

C.N. No. 14—

	Proposed	Present
Lv. Chicago.. . . .	No	6.45 p.m.
Lv. Sarnia	Change	3.45 a.m.
Ar. Toronto		8.20 a.m.

No. 14 to be a pool train Sarnia-Toronto.

C.N. No. 12—

	Proposed	Present daily
Lv. Detroit	No	8.10 a.m.
Lv. Windsor.. . . .	Change	8.50 a.m.
Ar. London.. . . .		11.30 a.m.

No. 12 to be a pool train Windsor-London.

C.N. No. 17—

	Proposed daily	Present daily
Lv. Toronto.. . . .	8.30 a.m.	8.30 a.m.
Ar. Hamilton,	9.25 a.m.	9.25 a.m.
Lv. Hamilton	9.35 a.m.	9.35 a.m.
Ar. London.. . . .	11.45 a.m.	11.48 a.m.
Lv. London.. . . .	12.01 p.m.	12.01 p.m.
Ar. Sarnia.	1.16 p.m.	1.16 p.m.
Ar. Chicago.. . . .	8.25 p.m.	8.25 p.m.

C.N. No. 117—

	Daily
Lv. London.. . . .	Replaced by 12.03 p.m.
Ar. Windsor.. . . .	C.P.R. No. 21 2.30 p.m.
Ar. Detroit	3.10 p.m.

Train miles per
annum
increase or decrease

C.N. No. 16—

	Proposed	Present Daily	
Lv. Detroit.. . . .	Replaced by	4.00 p.m.	
Lv. Windsor.. . . .	C.P.R. No. 22	4.45 p.m.	
Ar. London		7.02 p.m.	Decrease 80,374
Lv. London	Replaced by	7.17 p.m.	
Ar. Hamilton	C.N.R. No. 20	9.12 p.m.	
Ar. Toronto.. . . .		10.20 p.m.	

C. N. No. 20—

	Proposed daily	Present daily	
Lv. Chicago.. . . .	9.05 a.m.	9.05 a.m.	
Lv. Sarnia.. . . .	5.43 p.m.	5.43 p.m.	
Ar. London.. . . .	7.07 p.m.	7.07 p.m.	
Lv. London.. . . .	7.17 p.m.	7.22 p.m.	
Ar. Hamilton.. . . .	9.12 p.m.	via	
Lv. Hamilton.. . . .	9.20 p.m.	Stratford	
Ar. Toronto.. . . .	10.20 p.m.	10.30 p.m.	

Takes place of No. 16, London-Toronto.
Nos. 17 and 20 to be Pool Trains Toronto and Sarnia

Daily

Lv. London.. . . .	7.20 p.m.*
via Stratford	
Ar. Toronto.. . . .	10.30 p.m.*

*On present No. 20 schedule.

Parlor Car Service is not provided on this train.

This Train to be Non-Pool.

C. P. No. 21—

	Proposed daily	Present daily	
Lv. Toronto.. . . .	8.30 a.m.	8.30 a.m.	
Ar. Woodstock.. . . .		11.10 a.m.	
Ar. London (C.N.).. . .	11.50 p.m.	11.55 a.m. (C.P.)	
Lv. London (C.N.).. . .	12.05 p.m.	12.05 p.m. (C.P.)	
Ar. Windsor (C.N.).. . .	2.30 p.m.	2.15 p.m. (C.P.)	
Ar. Detroit (C.N.).. . .	3.15 p.m.	2.40 p.m. (M.C.)	

M. C. No. 23—

Lv. Detroit	2.50 p.m. (M.C.)
Ar. Chicago	8.30 p.m.

M. C. No. 44—

	Proposed daily	Present daily	
Lv. Chicago.. . . .		9.15 a.m.	
Ar. Detroit.. . . .		4.15 p.m. (M.C.)	

			Train miles per annum	Increase or Decrease
			Proposed daily	Present daily
C. P. No. 22—				
Lv. Detroit (C.N.)	4. 00 p.m.	4.40 p.m. (M.C.)		
Lv. Windsor C.N.)	4.45 p.m.	5.00 p.m. (C.P.)		
Ar. London (C.N.)	7.02 p.m.	7.25 p.m.		
Lv. London (C.N.)	7.25 p.m.	7.35 p.m.		
Ar. Toronto	10.25 p.m.	10.25 p.m.	Decrease (C.P.)	1,022
C. P. Nos. 21 and 22 to run on C. N. R. rails from Woodstock right into C. N. R. Windsor.				
Nos. 21 and 22, to be pool trains, Toronto and Windsor.				
C. N. No. 9—				
	Proposed	Present daily		
Lv. Toronto	No	11.45 p.m.		
Ar. Detroit	Change	7.40 p.m.		
C.N. No. 14—				
		Daily		
Lv. Detroit	No	11.59 p.m.		
Ar. Toronto	Change	8.20 a.m.		
Nos. 9 and 10 to be Pool Trains.				
C. N. No. 29—				
Lv. Toronto	7.30 a.m.	7.35 a.m.		
Ar. Stratford	10.35 a.m.	10.35 a.m.		
No 169—				
Lv. Stratford	10.42 a.m.	10.42 a.m.		
Ar. London	11.41 a.m.	11.41 a.m.		
(5 minutes additional running time required)				
Nos. 29-169 Toronto-London to be Non-Pool.				
C.P. No. 19—				
	Proposed	Present Daily		
Lv. Toronto	Cancel	9.40 p.m.		
Ar. Windsor		2.40 p.m.		
Ar. Detroit		3.00 p.m.	Decrease	82,527
C.P. No. 20—				
		Daily		
Lv. Detroit	Cancel	2.15 a.m.		
Lv. Windsor		2.40 a.m.		
Ar. Toronto		8.15 a.m.	Decrease	82,527
C.P. No. 635—				
		Ex. Sun.		
Lv. Toronto	Cancel	11.30 p.m.		
Ar. Windsor		6.50 a.m.		
Ar. Detroit		7.15 a.m.	Decrease	70,770
		Ex. Mon.		
C.P. No. 38—				
		Daily		
Lv. Detroit	Cancel	8.45 a.m.		
Lv. Windsor		9.05 a.m.		
Ar. Toronto		3.10 p.m.	Decrease	82,527

Train miles per
annum
increase or decrease

	Proposed	Present	
C.P. No. 37—		Daily	
Lv. Toronto.. . . .	Cancel	4.30 p.m.	
Ar. Windsor.. . . .		10.45 p.m.	
Ar. Detroit.. . . .		11.05 p.m.	Decrease 82,527

C.P. No. 632—		Ex. Sun.	
Lv. London.. . . .	No	4.45 p.m.	
Ar. Toronto.. . . .	Change	8.55 p.m.	

C.P. No. 632 London to Toronto to be Non-Pool

	Proposed	
C.P. New Train No. 643—	Ex. Sun.	
Lv. Toronto.. . . .	5.40 p.m.	
Ar. Galt.. . . .	7.30 p.m.	

C.P. New Train No. 642—	Ex. Sun.	
Lv. Galt.. . . .	6.45 a.m.	
Ar. Toronto.. . . .	8.25 a.m.	Increase 35,682

Nos. 643 and 642 Toronto-Galt to be Non-Pool

	Proposed	Present
C.N. No. 80—		Ex. Sun.
Lv. London.. . . .	No	9.00 a.m.
Ar. Toronto.. . . .	Change	12.25 p.m.

C.N. No. 18—		Daily
Lv. Detroit.. . . .	No	12.15 p.m.
Lv. Windsor.. . . .	Change	12.55 p.m.
Ar. London.. . . .		4.15 p.m.
Ar. Toronto.. . . .		8.20 p.m.

C.N. No. 83—		Daily
Lv. Toronto.. . . .	No	1.30 p.m.
Ar. London.. . . .	Change	5.30 p.m.

C.N. No. 11—		Daily
Lv. London.. . . .	No	5.38 p.m.
Ar. Windsor.. . . .	Change	8.35 p.m.
Ar. Detroit.. . . .		9.20 p.m.

C.N. No. 23—		Tue. Sat.
Lv. Toronto.. . . .	No	10.30 a.m.
Ar. Sarnia.. . . .	Change	3.40 p.m.

C.N. No. 22—		Mon. Fri.
Lv. Sarnia.. . . .	No	7.40 a.m.
Ar. Toronto.. . . .	Change	12.35 p.m.
C.N. Nos. 80, 18, 83, 11, 23 and 22, are Non-Pool.		

			Train miles per annum	Increase or Decrease
	Proposed	Present		
C.P. No. 650 (Motor)—		Ex. Sun.		
Lv. Guelph.. . . .	Cancel	1.25 p.m.		
Ar. Guelph Jct... . .		1.55 p.m.		
C.P. No. 649 (Motor)—		Ex. Sun.		
Lv. Guelph Jct... . .	Cancel	2.05 p.m.		
Ar. Guelph...		2.40 p.m.		
C.P. No. 652 (Motor)—		Ex. Sun.		
Lv. Guelph...	Cancel	5.15 p.m.		
Ar. Guelph Jct... . .		5.50 p.m.		
C.P. Deadhead Trip—				
Lv. Guelph Jct... . .	Cancel	.		
Ar. Guelph...				
C.P. No. 654 (Motor)—		Ex. Sun.		
Lv. Guelph...	Cancel	8.40 p.m.		
Ar. Guelph Jct... . .		9.15 p.m.		
C.P. No. 653 (Motor)—		Ex. Sun.		
Lv. Guelph Jct... . .	Cancel	9.25 p.m.		
Ar. Guelph		10.00 p.m.	Decrease 28,546	

Toronto-Guelph Traffic,—The following passenger traffic is to be pooled:—Sales, Toronto to Guelph
Sales, Guelph to Toronto.

Item 3—Toronto-Hamilton

	Proposed	Present	
C.P. No. 772—		Ex. Sun.	
Lv. Hamilton...	Cancel	11.30 a.m.	
Ar. Toronto...		12.30 p.m.	
C.P. No. 761—		Ex. Sun.	
Lv. Toronto...	Cancel	3.00 p.m.	
Ar. Hamilton...		4.00 p.m.	Decrease 25,040
C.P. No. 763—		Daily	
Lv. Toronto...	Cancel	9.50 p.m.	
Ar. Hamilton...		10.30 p.m.	
C.P. No. 762—		Daily	
Lv. Hamilton...	Cancel	9.15 p.m.	
Ar. Toronto...		10.15 p.m.	Decrease 20,200

PRESENT SERVICE

	77	101	(A) 185	83	(A) 79	103	89
N.	Ex. Sun.	Daily	Sat.	Daily	Ex. Sa. Su.	Daily	Daily
Lv. Toronto . . .	6.40 a.m.	8.00 a.m.	12.25 p.m.	1.30 p.m.	4.20 p.m.	6.15 p.m.	8.15 p.m.
Ar. Hamilton . . .	7.55 a.m.	9.00 a.m.	1.45 p.m.	2.50 p.m.	5.45 p.m.	7.15 p.m.	9.15 p.m.
P.	721	741	801	821			
	Daily	Daily	Daily	Daily			
Lv. Toronto . . .	8.15 a.m.	1.15 p.m.	5.00 p.m.	8.00 p.m.			
Ar. Hamilton . . .	9.15 a.m.	2.15 p.m.	6.00 p.m.	9.00 p.m.			
N.	(A) 74	(A) 76	106	94	80	18	108
	Ex. Sun.	Ex. Sun.	Daily	Daily	Ex. Sun.	Daily	Daily
Lv. Hamilton . . .	5.15 a.m.	6.15 a.m.	6.55 a.m.	8.58 a.m.	11.25 a.m.	7.10 p.m.	7.45 p.m.
Ar. Toronto . . .	6.40 a.m.	7.40 a.m.	7.55 a.m.	9.58 a.m.	12.25 p.m.	8.20 p.m.	8.45 p.m.
P.	712	752	(A) 792	832			
	Daily	Daily	Daily	Daily			
Lv. Hamilton . . .	6.45 a.m.	10.20 a.m.	4.05 p.m.	8.00 p.m.			
Ar. Toronto . . .	7.50 a.m.	11.20 a.m.	5.05 p.m.	9.00 p.m.			

All trains shown above between Toronto-Hamilton, to be pooled.

NOTE (A)—Winter Season, account suburban traffic, C.N. No. 185 cancelled. N. No. 79 operate 1 hour later daily ex. Sun. C.N. Nos. 74 and 76 operate 1 hour later. C.P. No. 792 operate 1 hour later.

em 4—Montreal-Ottawa

Present Service

C.N.—	47	51	153	1	
	Daily	Ex. Sun.	Sun.	Daily	
Lv. Montreal	8.55 a.m.	3.15 p.m.	5.40 p.m.	7.05 p.m.	
Ar. Ottawa	12.10 p.m.	6.30 p.m.	8.45 p.m.	9.20 p.m.	
C.P.—	503	505	7	1	507
	Daily	Ex. Sun.	Daily	Daily	Sun.
Lv. Montreal	7.40 a.m.	3.05 p.m.	7.00 p.m.	10.15 p.m.	7.15 p.m.
Ar. Ottawa	10.50 a.m.	6.20 p.m.	9.15 p.m.	1.00 a.m.	10.30 p.m.
C.N.—	2	48	150	50	152
	Daily	Ex. Sun.	Sun.	Ex. Sun.	Sun.
Lv. Ottawa	6.15 a.m.	7.45 a.m.	2.30 p.m.	4.20 p.m.	6.30 p.m.
Ar. Montreal	8.30 a.m.	11.00 a.m.	5.45 p.m.	7.35 p.m.	9.45 p.m.
C.P.—	2	8	502	504	506
	Daily	Daily	Ex. Sun.	Daily	Sun.
Lv. Ottawa	4.00 a.m.	6.25 a.m.	7.40 a.m.	3.05 p.m.	7.00 p.m.
Ar. Montreal	6.45 a.m.	8.40 a.m.	10.55 a.m.	6.20 p.m.	10.10 p.m.

All Montreal-Ottawa tickets on above trains to be pooled, but this is not a train pool, and the through passenger traffic beyond Ottawa and Montreal to be pooled has not yet been defined.

em 5—Montreal-Boston

C.P. No. 210—	Proposed	Present	Train miles per annum increase or decrease
Lv. Montreal	Cancel	8.00 a.m.	
Ar. Newport		10.50 p.m.	
C.P. No. 209—			
Lv. Newport	Cancel	4.20 a.m.	
Ar. Montreal		7.10 a.m.	Decrease 78,694.

		Train miles per annum increase or decrease
C.P. No. 212—	Proposed Daily	Present Daily
Lv. Montreal.. . . .	7.30 a.m.	8.30 a.m.
Ar. Wells River.. . . .	12.45 p.m.	1.47 p.m.
Lv. Wells River.. . . .	12.50 p.m.	See
Ar. White R. Jct.. . . .	1.50 p.m.	Note

C.P. No. 211—

Lv. White R. Jct.. . . .	12.45 p.m.	See
Ar. Wells River.. . . .	1.45 p.m.	Note
Lv. Wells River.. . . .	1.50 p.m.	12.45 p.m.
Ar. Montreal.. . . .	7.15 p.m.	6.15 p.m.

C.P. Nos. 212 and 211 to operate via White River Jct. instead of Woodsville, N.H.

	Present Service	
C.N.—	332	20
	Daily	Daily
Lv. Montreal.. . . .	8.50 a.m.	8.20 p.m.
Ar. White R. Jct.. . . .	2.03 p.m.	1.08 a.m.

C.N.—	307	325	21
	Daily	Ex. Sun.	Daily
Lv. White R. Jct.. . . .	12.38 p.m.	12.35 a.m.	4.02 a.m.
Ar. Montreal.. . . .	6.15 p.m.	7.30 a.m.	8.45 a.m.
Trains Nos. 332, 307, 20, 325, between Montreal and White River Jct. to be pooled.			

Train No. 21 between White River Jct. and Montreal to be pooled on Sundays only while handling No. 325's traffic.

Item 6—Montreal-Sherbrooke

Trains are not listed, but all Montreal Sherbrooke tickets are to be pooled, and this includes traffic to and from beyond Montreal.

Item 7—Montreal-Quebec

		Train miles per annum increase or decrease
C.N. No. 33	Proposed	Present Daily
Lv. Quebec.. . . .	Cancel	10.45 p.m.
Ar. Montreal.. . . .		6.15 a.m.
C.N. No. 34		Daily
Lv. Montreal.. . . .	Cancel	10.45 p.m.
Ar. Quebec.. . . .		6.00 a.m. Decrease 130,378
C.N. No. 75		Daily
Lv. Quebec.. . . .	Cancel	3.15 p.m.
Ar. Montreal.. . . .		7.45 p.m.

			Train miles per annum increase or decrease
C.N. No. 46	Proposed	Present	
Lv. Montreal.. . . .	Cancel	Daily 5.15 p.m.	
Ar. Quebec.. . . .		9.40 p.m.	Decrease 132,078
C.N. No. 44			
Lv. Montreal.. . . .	Cancel	7.20 a.m.	
Ar. Richmond.. . . .		10.00 a.m.	
C.N. No. 43		Ex. Sun.	
Lv. Richmond.. . . .	Cancel	7.50 p.m.	
Ar. Montreal.. . . .		10.05 p.m.	Decrease 47,576

Present Services

C.P.	352	354	356	302-358
Lv. Montreal	Ex. Sun.	Daily	Daily	Daily
(Windsor) . . . .	.....	8.15 a.m.	.....	11.15 p.m.
Lv. Montreal				
(Place Viger) . . .	7.00 a.m.	.....	4.00 p.m.	11.40 p.m.
Ar. Quebec.. . . .	12.00 n.	1.00 p.m.	8.30 p.m.	6.10 p.m.
C.P.	351	353	355	301-357
Lv. Quebec.	Ex. Sun.	Daily	Daily	Daily
Ar. Montreal	6.10 a.m.	12.30 p.m.	4.00 p.m.	11.30 p.m.
(Place Viger) . . .	11.20 a.m.	.....	6.50 p.m.	6.00 a.m.
Ar. Montreal				
(Windsor) . . . .	.....	5.10 p.m.	.....	6.25 a.m.
All trains shown above, except Nos. 352 and 351, (Montreal-Quebec) to be pooled.				

m 8—Montreal-Ste. Rosalie-Richmond-Portland

			Train miles per annum increase or decrease
cal C.N.R. changes	Proposed	Present	
No. 16	Ex. Sun.	Ex. Sun.	
Lv. Montreal.	8.35 a.m.	8.35 a.m.	
Ar. Richmond.. . . .	10.45 a.m.	10.30 a.m.	
Lv. Richmond.. . . .	10.55 a.m.	10.40 a.m.	
Ar. Island Pond.. . .	1.10 p.m.	12.55 p.m.	
	Daily	Daily	
Lv. Island Pond.. . .	1.30 p.m.	1.15 p.m.	
Ar. Portland.. . . .	6.15 p.m.	6.00 p.m.	
No. 44	Ex. Sun.	Ex. Sun.	
Lv. Richmond	10.55 a.m.	10.35 a.m.	Connect with No. 16
Ar. Quebec.	2.30 p.m.	2.10 p.m.	

Train miles per
annum
increase or decrease

No. 17—

	Proposed daily	Present daily
Lv. Portland.. . . .	8.10 a.m.	8.00 a.m.
Ar. Island Pond.. . . .	12.55 p.m.	12.45 p.m.
	Ex. Sun.	Ex. Sun.
Lv. Island Pond.. . . .	1.15 p.m.	1.05 p.m.
Ar. Richmond.. . . .	3.35 p.m.	3.25 p.m.
Ar. Montreal.. . . .	6.20 p.m.	5.50 p.m.

No. 43—

	Ex. Sun.	Ex. Sun.
Lv. Quebec.. . . .	12.00 noon	4.10 p.m.
Ar. Richmond.. . . .	3.35 p.m.	7.40 p.m.*

*Connect with No. 17.

New Train—

	Ex. Sun.
Lv. Ste. Rosalie.. . . .	5.50 a.m.*
Ar. Montreal.. . . .	7.15 a.m.

*(In place of No. 33 account suburban traffic.)

New Train—

	daily
Lv. Montreal.. . . .	11.15 p.m.*
Ar. Ste. Rosalie.. . . .	12.40 a.m.

*(In place of No. 34 account suburban traffic.)

New Train—

	Sun.
Lv. Ste. Rosalie.. . . .	5.55 p.m.
Ar. Montreal.. . . .	7.20 p.m.

Increase 27,448.

Item 9—Montreal-St. Hyacinthe-St. Rosalie Jct.-Levis

	Proposed Ex. Sun.	Present Ex. Sun.
Lv. Montreal.. . . .	8.00 a.m.	—
Ar. St. Hyacinthe.. . . .	9.15 a.m.	—
Lv. St. Hyacinthe.. . . .	9.55 a.m.	9.55 a.m.
Lv. St. Rosalie Jct.. . .	10.03 a.m.	10.03 a.m.
Ar. St. Leonard Jct.. . .	11.45 a.m.	11.45 a.m.

No. 689—

	Ex. Sun.	Ex. Sun.
Lv. St. Leonard Jct.. . .	5.15 p.m.	7.30 a.m.
St. Rosalie Jct.. . .	7.00 p.m.	9.15 a.m.
St. Hyacinthe.. . .	7.05 p.m.	9.20 a.m.
St. Lambert.. . . .	8.00 p.m.	—
Ar. Montreal.. . . .	8.20 p.m.	—

Increase 21,944.

Train miles per
annum
increase or decrease

No. 4—	Proposed daily	Present daily
Lv. Montreal.. . . .	7.45 p.m.	8.00 p.m.
Ste. Rosalie Jct.. . .	8.50 p.m.	9.05 p.m.
Ar. Levis.. . . .	12.20 a.m.	12.20 a.m.

No. 4 will stop at Bagot, St. Eugene, St. Germain, St. Cyrille, Ste. Perpetue, to detrain passengers from St. Hyacinthe and west thereof.

No. 3—	daily	daily
Lv. Levis.. . . .	3.30 a.m.	3.30 a.m.
Ste. Rosalie Jct.. . .	7.15 a.m.	6.55 a.m.
Ar. Montreal.. . . .	8.20 a.m.	8.00 a.m.

No. 3 will stop at St. Leonard Jct., St. Perpetue, St. Cyrille, St. Germain, St. Eugene and Bagot to pick up and detrain passengers.

NOTE: Trains 3 and 4 "Ocean Limited," must stop at stations between St. Leonard Jct. and Ste. Rosalie on account of Train No. 46 cancelled, and train 689 changed from a morning to an afternoon train.

Item 10—Montreal-Vaudreuil Suburban Service.

The Canadian National will operate Six round trips daily except Sunday between Dixie and Montreal, and cancel the remainder of their suburban mileage.

The Canadian Pacific will retain their present suburban train mileage on approximately the same schedules as at present except that adjustment will be made to give an early morning arrival at Montreal similar to that given by C.N. o. 226.

	Per annum
Pool train miles.. . . . C.P.	135,694
Pool train miles.. . . . C.N.	32,671
	<hr/> 188,365
C.N. Train miles cancelled.. . . .	<hr/> 132,550

EXHIBIT "E"

MONTREAL, July 13, 1933.

Mr. J. E. ARMSTRONG,
Assistant Chief Engineer,
Canadian Pacific Railway,
Montreal, Que.

DEAR SIR,—In accordance with verbal understanding reached at our meeting this morning, the following represents the views of the Canadian National Section of the terminal sub-committee with regard to the operation of pool trains:—

It is agreed that both Bonaventure and Windsor street are necessary until such time as it may be decided to enlarge the coach yard facilities of the Canadian Pacific and provide four tracks from the station to the coach yard facilities.

It is considered by the C.N.R. section that the minimum disturbance to existing conditions and the maximum of economy, all things considered, would result from all the Quebec pool trains operating in and out of Windsor station the Boston day and night pool trains operating out of Bonaventure station; the pooled night trains between Montreal and Toronto to remain as at present, one to each station; the pooled day train would operate to Bonaventure and the pooled fast train would operate in both directions from Windsor street.

The suggestion as regards the Quebec service requires no comment. It is quite obvious that this service should run into Windsor street. We feel, having regard to our operating conditions, that the Boston trains must operate into Bonaventure if the maximum of economy is to be obtained. The southbound night train is consolidated with our Washingtonian to White River Junction and the northbound, one day a week, is consolidated with the Montrealer. The day train does local work between Montreal and St. Johns and is the only C.N. train presently available. The Rutland day train, which runs over the same route, does not do any local work. There is also to be considered the carload transfer of express for Boston and New York.

I do not consider that the night trains, Montreal-Toronto, require any comment.

Our view with regard to 5 and 14 is that the least disturbance to the travelling public and the least amount of transfer of mail, baggage and express would result in 5 and 14 using Bonaventure station. We have our own figures with regard to this, but have not as yet full detail with regard to the Canadian Pacific situation, and our judgment with regard to 5 and 14 is therefore based upon approximate estimates of your traffic.

As regards the fast pool train Toronto-Montreal, if we are to continue to straddle the train between the two stations, convenience to the travelling public would indicate that the train should leave Bonaventure and arrive in Windsor street. Possibly the best solution, now that we propose to pool west of Toronto and to protect the beyond business, would be for the train to use Windsor street in both directions.

I attach hereto, statements of the transfer of passengers, mail and express.

I should be pleased if you would have this submission given consideration so that we may know as quickly as possible what differences of opinion need to be ironed out.

Yours faithfully,

(Sgd.) S. W. FAIRWEATHER,
Chairman, C.N.R. Section
Joint Co-operative Committee.

CANADIAN PACIFIC RAILWAY COMPANY

MONTREAL, July 14, 1933.

Mr. S. W. FAIRWEATHER,
Director, Bureau of Economics,
Canadian National Railways,
Montreal, Que.

DEAR SIR,—Referring to your letter of the 13th inst., in regard to the Montreal Terminal situation in connection with possible pool trains.

We are agreed, I believe, that,—

- (1) The present facilities of the Canadian Pacific from Montreal West to Windsor Street Station are adequate to handle all of the pooled trains, presently based on Bonaventure and Windsor Street Stations, so far suggested, as well as all remaining exclusive Canadian Pacific trains presently based on Windsor Street Station.
- (2) The present facilities of the Canadian Pacific from Montreal West to Westmount and the Station trackage at Windsor Street Station are adequate to handle all of the business of both railways based on Bonaventure and Windsor Street Stations, even under the peak conditions of 1927, 1928 and 1929, especially if such peak conditions are modified by the reduction in the number of trains and by the relief afforded the daily peak periods naturally brought about by pooling.
- (3) The present facilities of the Canadian Pacific at the Glen and the present three tracks between the Glen and Windsor Street Station are inadequate to handle all of the present business of both Railways based on Bonaventure and Windsor Street Stations, even if modified by the reduction in the number of trains and by the relief afforded the daily peak periods naturally brought about by all pooling of trains so far suggested.
- (4) When an adequate Coach Yard (including engine facilities) and four tracks between such Coach Yard and Windsor Street Station are available, the Canadian Pacific facilities between Montreal West and Windsor Street Station will be adequate to handle all of the business of both Railways based on Bonaventure and Windsor Street Stations, even under the peak conditions of 1927, 1928 and 1929, especially if such peak conditions are modified by the reduction in the number of trains and by the relief afforded the daily peak periods naturally brought about by pooling.
- (5) If all the business of both railways based on Bonaventure and Windsor Street Stations were based on Windsor Street Station, the Station trackage would have to be increased when or shortly after the business exceeded in the daily peak period that of the peak conditions of 1927, 1928 and 1929.
- (6) Until such time as an adequate Coach Yard (including engine facilities) and four tracks between such Coach Yard and Windsor Street Station are available, both Bonaventure and Windsor Street Stations are required to handle the present business of both the railways based on those Stations, even if modified by the reduction in the number of trains and by the relief afforded the daily peak periods naturally brought about by all pooling of trains so far suggested.
- (7) Trains between Montreal and Quebec, now based on Bonaventure and Windsor Street Stations, should be based on Windsor Street Station when pooled.

- (3) Night trains between Montreal and Toronto, now based on Bonaventure and Windsor Street Stations, should be based on the same Station as at present when pooled.
- (9) The fast afternoon pooled trains between Montreal and Toronto, now based in part on Bonaventure and in part on Windsor Street Station should be based on Windsor Street Station.

I regret that I have not yet the necessary information to enable me express a definite opinion in regard to the Station or Stations upon which the day and night trains between Montreal and Boston and the day train between Montreal and Toronto should be based when pooled. Just as soon as this information becomes available, and has been analyzed, I shall write you further in regard to these three pairs of trains.

Yours truly,

(Sgd.) JOHN E. ARMSTRONG,
Assistant Chief Engineer

EXHIBIT "F"

MONTREAL, July 25, 1933.

To the Joint Co-operative Committee

Your sub-committee on the Montreal terminals situation reports in regard to the capacity of facilities Montreal West to Windsor street station, inclusive that:—

1. The present facilities of the Canadian Pacific from Montreal West to Windsor street station are adequate, without further capital expenditure to handle all pool trains suggested to date presently based on Bonaventure and Windsor street stations, as well as all remaining exclusive Canadian Pacific trains and trains of tenant lines presently based on Windsor street station.
2. The present facilities of the Canadian Pacific from Montreal West to Westmount and the station trackage and train shed facilities at Windsor street station are adequate, without further capital expenditure, to handle the combined maximum peak business of the past of both the Canadian National and Canadian Pacific and all tenant lines based on Bonaventure and Windsor street stations.
3. The present facilities of the Canadian Pacific at the Glen, the present three tracks between the Glen and Windsor street station, and the express, baggage, mail and ticket office facilities at Windsor street station are inadequate, without further capital expenditure, to handle the combined total business of both the Canadian National and Canadian Pacific and all tenant lines presently based on Bonaventure and Windsor street stations, and the facilities at the Glen cannot be made adequate in that location.
4. The inadequate facilities listed under (3) can be made adequate to handle either the combined total business of both the Canadian National and Canadian Pacific and all tenant lines presently based on Bonaventure and Windsor street stations, or the combined maximum peak business of the past of both the Canadian National and the Canadian Pacific and all tenant lines based on Bonaventure and Windsor street stations by providing east of Elmhurst avenue, Montreal West, facilities equal to approximately twice the capacity of the present facilities at the Glen, by providing four tracks from these facilities to Windsor street

station, and by providing adequate express, baggage, mail and ticket office facilities at Windsor street station at an approximately estimated cost of:—

Coach yard at Montreal West.	\$4,000,000
Four tracks Montreal West to Windsor St. station	1,000,000
Alterations and additions at Windsor St. station..	1,000,000
Total.	\$6,000,000

5. Should the combined business of the Canadian National and Canadian Pacific and their tenant lines result in the necessity for grade crossing elimination at Westminster and Elmhurst avenues, Montreal West, such work may be approximately estimated to cost \$2,000,000.
6. When the business handled at Windsor street station exceeds the combined maximum peak conditions of the past of both the Canadian National and the Canadian Pacific and all tenant lines based on Bonaventure and Windsor street stations, it will be necessary to increase the station trackage and train shed facilities at Windsor street station. It is impossible now to estimate the cost of this work, as it will depend upon the amount and the type of increase necessary to provide the conditions then existing but it will cost many millions of dollars.
7. Until the additional facilities noted under (4) have been provided it will not be possible to close Bonaventure station and divert to Windsor street station all trains presently based on Bonaventure station.

(Sgnd.) C. S. GZOWSKI.

(Sgnd.) JOHN T. ARMSTRONG.

EXHIBIT "G"

CANADIAN NATIONAL RAILWAY COMPANY-CANADIAN PACIFIC RAILWAY COMPANY
JOINT CO-OPERATIVE COMMITTEE

Report No. 10

to the Acting President, Canadian National Railway Co.
to the Chairman and President, Canadian Pacific Railway Co.

Executive Allotment No. 1

Further Pool of Passenger Trains

Your Co-operative Committee has given serious consideration to the possibility of extending passenger train pooling for the purpose of eliminating additional duplicate competitive train mileage of the two Systems.

A point has been reached where further progress by the Co-operative Committee is held up by reason of a difference of opinion in the two sections with regard to the use of the Montreal Terminal facilities of the two Companies.

Your Committee has therefore decided to report their respective views and ask for instructions regarding this matter.

It is unanimously agreed that neither Windsor street nor Bonaventure is capable of handling the total train service of both railways without expenditure of considerable capital.

The Canadian Pacific section feels that for maximum convenience to the travelling public and for the maximum economy and most effective use of facilities that all principal trains of both companies—whether pooled or not pooled—should use Windsor street station. This would include: Maritime

services, Quebec services, Boston-New York services, Toronto services, Ottawa services, Transcontinental.

The Canadian National section feels that the most practical solution of the terminal problem would be an apportionment of the pool trains between the two stations, and for that purpose suggest the following:—

- (a) All Montreal-Quebec pool trains use Place Viger and Windsor street.
- (b) The fast afternoon Montreal-Toronto pool trains, both directions, Windsor street station.
- (c) Night pool trains, National and Pacific, Montreal-Toronto use Bonaventure and Windsor street as now.
- (d) Montreal-Toronto morning pool trains to use Bonaventure.
- (e) Montreal-Vaudreuil commuter service to use Windsor street.
- (f) Transcontinental trains—if one pooled train is operated use Windsor street both directions. If two pooled trains are operated one to use Windsor street and one to use Bonaventure.
- (g) Montreal-Boston pool services to use Bonaventure.
- (h) All non-pool trains including Maritime services to remain as at present.

(Sgd.) S. W. FAIRWEATHER,
Chairman, Canadian National Section

(Sgd.) G. HODGE,
Chairman, Canadian Pacific Section

Montreal, August 11, 1933.

EXHIBIT "H"

CANADIAN NATIONAL RAILWAY COMPANY-CANADIAN PACIFIC RAILWAY COMPANY
JOINT CO-OPERATIVE COMMITTEE

Report No. 28

*To the Acting President, Canadian National Railway Co.
To the Chairman and President, Canadian Pacific Railway Co.*

Executive Allotment No. 1

Extension of Limited Pool of Passenger Trains

*Quebec-Montreal Day and Night Services
Montreal-Toronto Day and Night Services
Ottawa-Toronto Services*

Proposal.—That to implement the instructions of the Joint Executive Committee to extend the pooling arrangement pending further consideration of the Montreal Terminal situation with a view to securing some immediate economy.

1. The pooled services referred to in Report No. 4 be extended to include:
 - (a) Quebec-Montreal trains, except local trains and steamship special trains.
 - (b) Balance of Montreal-Toronto services, except local trains. Balance of Ottawa-Toronto services, except local trains.
2. Said services to be designated and advertised as "Pooled Trains."
3. That upon this proposal becoming effective the agreement dated April 1933, covering the present limited pool shall be cancelled and shall be superseded by an agreement in accordance with this proposal.

Method.—1. The Canadian Pacific will operate, as pooled trains, the following pooled train services:—

- (a) Trains C.P. Nos. 353 and 354 daily between Montreal and Quebec. These trains shall use Windsor street station, Montreal.
- (b) Trains C.P. Nos. 355 and 356 daily between Montreal and Quebec. These trains shall use C.P. stations in Montreal.
- (c) Trains C.P. Nos. 301-357 and 302-358 daily between Montreal and Quebec. Of these consolidated trains, one section in each direction shall use Windsor street station, Montreal.
- (d) Trains C.P. Nos. 21 and 22 daily between Montreal and Toronto. These trains shall use Windsor street station, Montreal.
- (e) Trains C.P. Nos. 33 and 34 daily between Toronto and Ottawa via Peterboro.
- (f) Trains C.P. Nos. 559 and 560 between Ottawa and Brockville connecting with pool trains C.N. Nos. 15 and 6.
- (g) Special trains between Toronto-Montreal to handle overseas traffic to and from steamships.

2. The Canadian National will operate as pooled trains the following services:—

- (a) Trains C.N. Nos. 5 and 14 daily between Montreal and Toronto. These trains shall use Bonaventure station, Montreal.

Dissent: The Canadian Pacific wishes Canadian National pool train No. 5 to arrive at Toronto at 4.45 p.m. to connect with present C.P. No. 37 west from Toronto.

The Canadian National find it impossible to change the schedule of No. 5 to meet the Canadian Pacific requirements.

- (b) Trains C.N. Nos. 16 and 17 between Montreal and Toronto. These trains shall use Bonaventure Station, Montreal.
- (c) Trains C.N. Nos. 15 and 6 between Montreal and Toronto. These trains shall operate through cross-over at Dorval to and from Canadian National tracks from and to Canadian Pacific tracks and use Windsor Street Station, Montreal.
- (d) Trains C.N. Nos. 9 and 10 between Belleville and Toronto.
- (e) Steamship special trains between Toronto-Montreal to handle overseas traffic to and from steamships.

3. The Canadian Pacific shall cancel the following train services:—

- C.P. Nos. 20 and 37 between Montreal and Toronto.
C.P. Nos. 552 and 553, Ottawa-Bedell.

4. The Canadian National shall cancel and rearrange train services as follows:—

- C.N. Nos. 33 and 34 Montreal and Quebec via Richmond.
C.N. Nos. 46 and 75 Montreal and Quebec via Drummondville.

The C.N. in adjustment of its non-pooled trains may establish, daily except Sunday, round trip services between Lyster-Richmond and Ste. Rosalie-St. Leonard, and a daily service Quebec-Charny connecting with C.N. Nos. 1 and 2.

5. During the period of the proposed agreement neither party shall establish any additional through non-pooled trains in any of the pooled channels or adjust the schedules or consists of non-pooled trains, so as to make them competitive with pooled trains except by agreement of the parties. Likewise, neither party shall attempt to establish additional pooled train services or discontinue pooled services to meet changes in traffic conditions or otherwise except by mutual agreement of the parties. The pooled trains operated by each com-

pany shall handle pooled and non-pooled cars as required in accordance with the following provisions; but neither party shall, without consent of the other, increase the consists of pooled trains nor place additional stops on pooled trains for the purpose of handling non-pool traffic to such an extent as to jeopardize the schedule performance of the trains or to necessitate additional section operation of the trains.

Express cars—(Non-pooled)—

C.P. and C.N. express cars on pool trains C.P. Nos. 353-354-355-356-301/357-302/358 Montreal-Quebec, 33-34 Ottawa-Toronto and Ottawa-Brockville trains connecting with pool trains C.N. Nos. 15-6 and C.N. Nos. 9 and 1 Belleville and Toronto.

C.N. and C.P. express cars on pool trains C.N. Nos. 5-14-15 and 6 Montreal-Toronto.

C.N. express cars on pool trains C.N. Nos. 16-17.

C.P. express cars on pool trains C.P. Nos. 21-22.

Provided that the right to place such cars in pool trains operated by each company shall be limited to the maximum consist of such trains, and provided further that each party shall be given equal consideration in this respect and that where possible joint cars will be used under agreement between the parties. The Express representatives of the two companies shall agree upon the Express service to be given by each company at common intermediate points in the pool channels on pooled trains operated by the other company, so as to leave each company in the same relative express service position at such points as prior to the pooling arrangement:

Each company shall have the right to place express cars in any pooled trains at intermediate points which in the past have been placed in the trains of such party at such points.

Mail Cars, Non-pooled—

C.N. mail cars for overseas mail and C.P. mail cars on pool trains C.N. Nos. 353-354-355-356-301/357-302/358, between Montreal and Quebec.

C.P. mail cars for overseas mail and C.N. mail cars on pool trains C.N. Nos. 5-14-15 and 6 between Montreal-Toronto.

C.N. mail cars on pool trains C.N. Nos. 16-17 and 9-10.

C.P. mail cars on pool trains C.P. 21-22, 33-34 and Ottawa-Brockville connecting trains.

Each party shall have the right to place in any pooled train at intermediate points mail cars which, in the past, have been placed in the trains of such party at such points.

Coaches and Baggage Cars—

Each company shall furnish for the pool trains it operates the necessary coaches and baggage cars except as may be required for car mileage equalization purposes.

Each company shall have the right to place in any pool train coaches and baggage cars which in the past have been placed in the trains of such party at such points and through coaches and baggage cars to, from and between pool and non-pool points.

Each company shall have equal right to operate through coaches on pool trains C.N. Nos. 5-14 and 15-6 between Montreal and Toronto to and from points west of Toronto.

Sleeping Cars—

Each company shall furnish the sleeping cars for the night Montreal-Toronto trains operated by it, and there shall be no equalization in these services.

The Canadian Pacific as well as the Pullman Company shall have the right to operate sleeping cars on the pooled C.N. Nos. 5-14 and 15-6 Montreal-Toronto trains, and the Canadian National shall make the necessary arrangements with the Pullman Company to make this possible.

Each company shall furnish the sleeping cars for Ottawa-Toronto and Montreal-Quebec trains operated by it except as may be necessary for equalization purposes.

Each company shall have the right to place sleeping cars in any pooled trains at intermediate points which, in the past, have been placed in the trains of such party at such points, and sleeping cars to, from and between pool and non-pool points.

Parlour Cars—

Each company will furnish for the pool trains it operates the necessary parlour cars except as may be required for car mileage equalization purposes.

Each company shall have equal right to operate parlour cars in pooled trains C.N. Nos. 5-14 and 15-6 between Montreal and Toronto, to and from points west of Toronto.

Parlour Cars—Each company shall have the right to place parlour cars in any pooled trains at intermediate points which, in the past, have been placed in the trains of such party at such points, and parlour cars to, from and between pool and non-pool points.

Dining Cars—Each party will furnish for the pool trains it operates the necessary dining cars.

6. (a) Military and naval traffic moved on regular or special trains in pool channels on Imperial or Dominion Government requisitions shall be pool traffic in the same manner as regular passenger train traffic.

(b) Organized society, pilgrimage, athletic, other excursions and special party traffic including company excursions by extra or special trains in or through pool channels including to or from or between competitive points in pool channels shall be pool traffic. The method of dealing with soliciting and handling such traffic with or without traffic to or from or between intermediate non-common points shall be the subject of mutual agreements from time to time between the passenger traffic managers.

(c) Special train movements to handle third class steamship traffic Montreal-Quebec shall be pooled and be subject to mutual agreements from time to time between the passenger traffic managers.

(d) EXCEPTION: Special or extra trains commonly known and designated by the tariffs of both companies as "emergency trains", i.e. arranged for the movement of one or more persons whose numbers are generally known in advance and usually arranged on short notice and not advertised, such as cases of accident, illness or small special parties of any nature where the regular par capita fare does not meet the special train guarantee, shall be exclusive traffic to the line operating.

Capital Cost (Dissent)—

Canadian National Section has satisfied itself that necessary safety and convenience will be afforded by an expenditure of \$3,300 to extend present connecting track at Dorval so as to enable pool train C.N. No. 6 to operate from westbound C.N. track to this connecting track, and recommends this to be done.

Canadian Pacific Section—A double track connection with the necessary signal and interlocking protection is estimated to cost \$85,000.00. The same installation to provide in the meantime for single track connection is estimated to cost \$71,000.00. The Canadian Pacific section recommends that full consider-

ation shall be given by the operating officers instructed to complete the agreement as to what is required for adequate protection.

Estimated Saving—

There will be a net saving of approximately 477,000 through train miles in addition to the 495,000 through train miles of the present pool, or a total of 972,000 through train miles. There will be readjustments in intermediate train services which approximately balance. The saving in train mileage will be approximately equal for both companies.

Number of Employees Released—

Between 60 or 80 additional train service employees, and an indeterminate number of other employees, making a total of between 135 and 165 train service employees released due to train pooling arrangements so far.

Action Recommended

The Companies to enter into an agreement to put the proposed service into effect as soon as possible, and that the agreement provide:

Division of Revenues:

1. Mail revenues not to be pooled; provided, however, that should either party experience substantial change of assigned mail allotments an adjustment as between the companies shall be made, which adjustment shall take into consideration the mail revenues lost and gained and the expenses avoided or incurred; the adjustment to be upon the basis of an equalization of the burden and advantage.
2. Express revenues not to be pooled; provided, however, that should either party experience substantial change in its express conditions by reason of the pooling of passenger train services, an adjustment as between the companies shall be made, which adjustment shall take into consideration the express revenues lost and gained and the expenses avoided or incurred; the adjustment to be upon the basis of an equalization of the burden and advantage.
3. Passenger and baggage revenue, irrespective of trains on which earned shall be pooled as follows:
 - (a) Quebec-Montreal Channel—
 1. Entire passenger, including surcharge, and baggage revenues arising from traffic between points common to both railways, including Levis, in the pooled channel handled either on pooled or non-pooled trains except non-pooled steamship specials.
 2. Rate pro rate proportion of passenger, including surcharge, and baggage revenue accruing to the pooled channel arising from traffic originating or terminating at a point common to the two railways in the pooled channel destined to or originating at a point beyond the pooled channel handled either on pooled or non-pooled trains.
 - (b) Montreal-Toronto and Ottawa-Toronto channel—
 1. Entire passenger, including surcharge, and baggage revenues arising from traffic between points common to both railways in the pooled channel handled either on pooled or non-pooled trains.
 2. Rate pro rate proportion of passenger, including surcharge, and baggage revenue accruing to the pooled channel arising from traffic originating or terminating at a point common to the two railways in the pooled channel destined or originating at a point beyond the pooled channel handled either on pooled or non-pooled trains, except traffic to or from Sudbury and points west thereof not routed via Chicago.

3. Rate pro rate proportion of passenger, including surcharge, and baggage revenue accruing to the pooled channels arising from traffic both originating and terminating at points beyond the pooled channel handled on pooled or non-pooled trains through this channel except traffic to or from Sudbury and points west thereof not routed via Chicago.

(c) Pooled passenger (including surcharge) and baggage revenue shall be divided temporarily as follows:

	Canadian Pacific per cent	Canadian National per cent
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Quebec-Montreal channel.	50	50
Montreal-Toronto and Ottawa-Toronto channel	50	50

until such time as an audit of the pooled revenues in each channel of an agreed test period or periods has been completed. Thereupon the pooled revenues in each channel will be adjusted retroactively with interest at five per cent per annum and thereafter shall divide between the two companies in proportions to be agreed upon based upon the information developed from the test period or periods, a separate percentage being used for intermediate traffic originating and terminating in the pool channel and for through traffic, to the end that each party will take out of each pool channel the estimated proportion of the through and of the intermediate passenger and baggage revenue which it has contributed to such pool channel.

4. Sleeping and parlour car revenues shall be pooled as follows:—

(a) Entire sleeping car revenue arising from through and intermediate traffic handled on pooled trains between

- (a) Montreal-Quebec
- (b) Ottawa-Toronto.

NOTE: Between Montreal and Toronto until the Canadian National is able to pool sleeping car revenue, the entire interior sleeping car revenues, between Montreal and Toronto, will accrue to the company furnishing the cars.

(b) Entire parlour car revenue arising from through and intermediate traffic handled on pooled trains between:

- (a) Montreal-Quebec
- (b) Ottawa-Toronto
- (c) Montreal-Toronto.

(c) Pooled sleeping and parlour car revenues shall be divided equally between the parties until such time as an audit of the sleeping and parlour car revenues of an agreed test period or periods has been completed. Thereupon the revenues from sleeping car traffic, and revenues from parlour car traffic will be adjusted separately, retroactively, with interest at five per cent per annum and thereafter shall divide between the two companies in proportions to be agreed upon based upon information developed from the test period or periods to the end that each party will take out of the pool the estimated proportions of sleeping car revenues and parlour car revenues which it has contributed to the pool.

5. Dining, buffet and news service revenues not to be pooled.

6. Tickets of each party and tickets reading via the lines of either party shall be honoured on pooled trains and also on non-pooled trains in or through any of the pool channels.

Division of Services and Expenses:

1. Existing joint facility agreements concerning properties now used jointly by the two companies shall continue to govern, and fifty per cent of the pooled services using such properties shall be apportioned to each company.
2. Exclusive properties of either company may be used by pooled service as may be required without compensation other than the equalization of services and adjustments hereinafter provided. In the event of pool trains operated by one company being detoured over the lines of the other company the detour agreement in effect from time to time shall apply.
3. The division of services and expenses of the pooled service shall be such as to equally divide the economies affected by each party as a result of the pooling arrangement.
4. For the purpose of equalizing transportation expenses pooled train miles and pooled car miles, by appropriate classes, shall be equalized as far as possible. Subject to the provisions of paragraph (8) of this section any surplus shall be adjusted on the basis of out-of-pocket costs.
5. For the purpose of equalizing maintenance of equipment expenses, pooled locomotive miles and pooled car miles, by appropriate classes, shall be equalized as far as possible, provided that sleeping car miles in Montreal-Toronto pool trains operated by either company and dining car mileage shall not be equalized. Subject to the provisions of paragraph (8) of this section, any surplus shall be adjusted on the basis of out-of-pocket cost.
6. For the purpose of equalizing interior expenses of sleeping cars in Toronto-Ottawa and Montreal-Quebec services and parlour cars in Toronto-Ottawa, Montreal-Toronto, and Montreal-Quebec services pooled sleeping car miles and pooled parlour car miles operated by each company shall be equalized separately as far as possible. Subject to the provisions of paragraph (8), any surplus shall be divided on the basis of out-of-pocket costs. Each company shall bear the interior expenses of operating its own or leased sleeping cars furnished by it for handling traffic on pooled trains between Montreal-Toronto.
7. For the purpose of equalizing terminal expenses, such as coach yard, locomotive terminal, and switching expenses, such expenses incurred by each company in connection with pooled trains at points not covered by joint agreement shall be equalized as far as possible by classes of service. Subject to the provisions of paragraph (8) of this section, any surplus shall be adjusted on the basis of out-of-pocket cost.
8. There shall be jointly compiled a statement of average annual train, locomotive and car mileage by appropriate classes and expenses of terminal services of each company as at the date of the pooling arrangement for the through competitive train services to be pooled, and the difference in each item determined. In order to equally divide the economies between the two companies, the proportion of the pool service to be rendered by each company shall be adjusted so as to maintain these differences.
9. Units of service performed in handling mail, express and other non-pooled cars, including deadhead movements in connection therewith, by one company for the other shall be equalized as far as possible. Any surplus shall be adjusted on the basis of out-of-pocket cost.

10. Each company shall bear the expense of dining and buffet car service furnished on trains operated by it, including maintenance expense of cars, provided that if this should be found to work unfairly as compared with conditions at the effective date of the pooling arrangement the necessary adjustment will be made to equalize the burden and advantage.
11. Units of service performed in operating extra pool trains and dead-head movements in connections therewith or deadhead car movements in connection with pool traffic shall be credited to the company performing the service.
12. Each company shall bear all expense of its news service.
13. If section of pooled trains can be avoided by either company handling on non-pool trains through pool channels, cars ordinarily handled on pool trains, this shall be done by agreement and units of services in handling such cars shall be credited to the road performing the service.
14. The cost of inter-station transfer at Montreal of passengers and baggage and of mail (if not absorbed by Post Office Department) resulting from pooling arrangements shall be divided equally between the two companies.
15. The cost of inter-station transfer of express and of handling express at junction points shall be borne as agreed upon by the respective express departments.
16. Each company shall pay an equal proportion of the expenditure for making connection at Dorval.
17. As soon as possible after the completion of the pool agreement the statement referred to in paragraph (8) shall be compiled and the terms for settlement of net balances of expenses shall be determined.

Ticketing Facilities.—At common points in pool channels the station ticket agents and station employees of the company performing pool train service shall be neutral in the performance of their duties and shall give to the public full and complete information as to train times and fares of the pool and of the non-pool train services of each company within and beyond pool channels and route passengers in accordance with their request. At Montreal such ticket facilities as may be agreed upon shall be provided at Bonaventure and at Windsor Street Station.

Neutrality of Pool Train Employees.—Employees of either company engaged in operation of pool trains shall be neutral in the performance of their duties and shall give to the public such information as to pool and non-pool train services of each company as they are able to give.

Competitive Traffic Beyond the Pool.—Should either company consider that an undue variation in the proportion of the revenues of the respective companies beyond the pooled channels has occurred because of the pooling arrangements compared with the situation prior to pooling, at the request of either company the matter shall be investigated and the necessary steps taken to equitably adjust the burden and advantage.

Disturbance to Non-pool Intermediate Traffic.—If in practice this arrangement for co-operation between the companies to secure material economies places an undue burden upon either company due to loss of revenue arising from intermediate traffic to, from and between non-common points, or due to necessity for rearranging train services to handle such traffic, they shall negotiate such fair adjustments upon the request of either company as will

equitably distribute the burden and advantage. The probable disturbance to this intermediate traffic because of the present pool has been examined for the changes in train services presently contemplated and has been found substantially in balance. Any difference there may be would not appear to justify reaching immediate mutual agreement on train services considered necessary by each company to handle such traffic, but the position taken now is without prejudice to any action in future in respect to this pool or to the principles to be adopted for the division of net economies in any extension of pooling arrangements.

Liabilities.—The terms to govern the settlement of liabilities for loss, damage and injury of every nature shall be left to the Law Departments of the two companies to determine.

General Provisions.—If in practice this arrangement for co-operation between the Companies to secure mutual economies does not make and maintain an equitable division of the economies resulting from the pool they shall negotiate such fair adjustments upon the request of either company as will equitably distribute the burden and advantage.

Unadjusted Balance Existing Pool.—As at the effective date of this pooling arrangement there shall be carried forward appropriately to the credit of each company any unadjusted excess service rendered by it under existing passenger train pool arrangements.

Limiting Date for Adjusting Balances.—In order that it will be necessary to review ticket reports once only the detailed study to determine the final division of revenues shall be deferred until the extent of probable final pooling areas has been agreed upon, but the determination of the basis for the equitable division of revenue service and expenses in accordance with the provisions of this report and the retroactive adjustments between the companies shall be completed by December 31st, 1935.

Term of Agreement.—Dissent: The Canadian National section recommend that the term of agreement be for one year subject to notification of termination on sixty days' prior notice in writing and thereafter similarly from year to year.

The Canadian Pacific Section recommend that the term of the agreement be for one year and thereafter subject to termination upon sixty days' prior notice in writing unless special conditions or extension of pooling arrangements make other termination desirable.

Preparation of Agreement.—The Operating, Traffic, Accounting, Law and Express Officers of the respective companies shall be instructed to meet to draft the Agreement, to agree on schedules, advertising arrangements, necessary application to Board of Railway Commissioners, advice to employees and all other details.

(Sgnd.) S. W. FAIRWEATHER, (Sgnd.) G. HODGE,
Chairman, Canadian National Section. Chairman, Canadian Pacific Section

Montreal, January 29th, 1934.

EXHIBIT "J"

Sub-Committee Joint Draft June 27, 1934

CANADIAN NATIONAL RAILWAY COMPANY—CANADIAN PACIFIC RAILWAY COMPANY
JOINT CO-OPERATIVE COMMITTEE

Report No. . .

To the President Canadian National Railway Co.
To the Chairman and President Canadian Pacific Railway Co.

Executive Allotment No. 1

Passenger Train Pooling

Toronto-Hamilton-London-Windsor (Detroit) Sarnia Services:
Montreal-Winnipeg, Toronto-Winnipeg Services:

Proposal.—A-1. That to implement the instructions of the Joint Executive to extend the pooling arrangement, pending further consideration of the Montreal Terminal situation with a view to securing additional immediate economy, the following services be pooled:

- (a) Montreal-Winnipeg Services.
- (b) Toronto-Winnipeg Services.
- (c) Toronto-Hamilton-London-Windsor (Detroit) Sarnia Services.
(Pooled Services detailed in paragraphs B-1-2-3-4.)

A-2. The trains in these services to be designated and advertised as Pooled Trains."

Method.—B-1. The Canadian Pacific shall operate as pooled trains the following services:—

- (a) Train C.P. 3, Toronto-Winnipeg, daily, to Pacific Station, Winnipeg, by the rails of the Pacific.
- (b) Train C.P. 4, Winnipeg-Toronto, daily, from Pacific Station, Winnipeg, by the rails of the Pacific.
- (c) Train C.P. 7, Montreal-Sudbury, daily from Pacific Station, Montreal, by the rails of the Pacific.
- (d) Train C.P. 8, Sudbury-Montreal, daily, to Pacific Station, Montreal, by the rails of the Pacific.
- (e) Train C.P. 20, London-Toronto, daily. By the rails of the National from London to a connection with Pacific west of Woodstock, and rails of Pacific to Toronto.
(A continuation of C.N. 10, Detroit-Windsor-London.)
- (f) Train C.P. 21, Toronto-London, daily. By the rails of the Pacific, Toronto, to a connection with the National west of Woodstock, and National rails to London.
To continue London-Windsor-Detroit as C.N. 117.)
- (g) Train C.P. 22, London-Toronto, daily. By the rails of the National to a connection west of Woodstock and Pacific rails to Toronto.
(A continuation of C.N. 16, Detroit-Windsor-London.)
- (h) Train C.P. 37, Toronto-London, daily. By rails of the Pacific, Toronto, to a connection west of Woodstock and National rails to London.
(To continue London-Windsor-Detroit as C.N. 105.)

B-2. The Canadian National shall operate as pooled trains the following services:—

- (a) Train C.N. 1, Montreal-Ottawa, daily, from National Station, Montreal by rails of National.
- (b) Train C.N. 1, Sudbury-Winnipeg, daily, from Pacific Station, Sudbury by the rails of the Pacific Stobie Branch and the National.
- (c) Train C.N. 2, Winnipeg-Sudbury, daily, to Pacific Station, Sudbury, by the rails of the National and the Pacific Stobie Branch.
- (d) Train C.N. 2, Ottawa-Montreal, daily, to National Station, Montreal by the rails of the National.
- (e) Train C.N. 5, Toronto-Sarnia, daily, by the rails of the National.
- (f) Train C.N. 6, Sarnia-Toronto, daily, by the rails of the National.
- (g) Train C.N. 9, Toronto-Windsor-Detroit, daily, by the rails of the National.
- (h) Train C.N. 10, Detroit-Windsor-London, daily, by the rails of the National.
- (i) Train C.N. 11, London-Windsor-Detroit, daily, by the rails of the National.
- (j) Train C.N. 12, Detroit-Windsor-London, daily, by the rails of the National.
- (k) Train C.N. 14, Sarnia-Toronto, daily, by the rails of the National.
- (l) Train C.N. 15, Toronto-Sarnia, daily, by the rails of the National.
- (m) Train C.N. 16, Detroit-Windsor-London, daily, by the rails of the National. (To be continued as C.P. 22 and C.N. 20, London-Toronto.
- (n) Train C.N. 17, Toronto-Sarnia, daily, by the rails of the National.
- (o) Train C.N. 18, Detroit-Windsor-London, daily, by the rails of the National.
- (p) Train C.N. 20, Sarnia-Toronto, daily, by the rails of the National, via Hamilton.
- (q) Train C.N. 105, London-Windsor-Detroit, daily, by the rails of the National.
- (r) Train C.N. 117, London-Windsor-Detroit, daily, by the rails of the National. (A continuation of C.P. 21 and C.N. 17, Toronto-London.

NOTE.—Train C.P. 7 from Windsor street station, Montreal, and train C.N. 1 from Bonaventure station, Montreal, shall be consolidated at Ottawa.

Train C.P. 8 from Can. Pac. station, Sudbury, shall be separated at Ottawa to run as C.P. No. 8 to Windsor street station, Montreal, and C.N. No. 2 to Bonaventure station, Montreal.

Train C.P. 3 and train C.P. 7 at Sudbury shall be marshalled to form train C.P. 3 and C.N. 1.

Train C.P. 4 and train C.N. 2 at Sudbury shall be marshalled to form C.N. 4 and C.P. 8.

Train C.P. 28 non-pooled shall be scheduled to connect with C.P. 4 and C.N. 2 at Sudbury and to arrive Toronto not later than 7.20 a.m.

Equipment will be interchanged between C.P. 4 and C.N. 2, C.P. 3 and C.N. 1 at Winnipeg to avoid additional section operation Winnipeg-Sudbury.

B-3. The Canadian Pacific shall cancel the following train services:—

- (a) Train C.P. 19, Toronto-Windsor, daily.
- (b) Train C.P. 20, Windsor-London, daily.
- (c) Train C.P. 21, London-Windsor, daily.
- (d) Train C.P. 22, Windsor-London, daily.
- (e) Train C.P. 37, London-Windsor, daily.
- (f) Train C.P. 38, Windsor-Toronto, daily.
- (g) Train C.P. 635, Toronto-Windsor, daily ex. Sunday.

(h) Train C.P. 732, Hamilton-Toronto, daily ex. Sunday.

(i) Train C.P. 761, Toronto-Hamilton, daily ex. Sunday.

(j) Train C.P. 762, Hamilton-Toronto, daily.

(k) Train C.P. 763, Toronto-Hamilton, daily.

B-4. The Canadian National shall cancel the following train services:—

(a) Train C.N. 1, Ottawa-Capreol, daily.

(b) Train C.N. 2, Capreol-Ottawa, daily.

(c) Train C.N. 3, Toronto-Capreol, daily.

(d) Train C.N. 4, Capreol-Toronto, daily.

(e) Trains C.N. 94-95 96-97, Sudbury-Sudbury Jct., daily.

B-5. During the period of the proposed agreement neither company shall establish any additional through non-pooled trains in any of the pooled channels or adjust the schedules or consists of non-pooled trains so as to make them competitive with pooled trains except by agreement of the companies. Likewise, neither company shall attempt to establish additional pooled train services or discontinue pooled services to meet changes in traffic conditions or otherwise or to continue to operate unnecessary pooled services except by mutual agreement of the companies. The pooled trains operated by each company shall handle pooled and non-pooled cars as required in accordance with the following provisions; but neither company without consent of the other shall increase the consist of pooled trains or place additional stops on pooled trains for the purpose of handling non-pooled traffic to such an extent as to jeopardize the schedule performance of such trains or to necessitate the operation of additional sections of such trains.

C-1-a. Express cars and L.C.L. freight (non-pooled)—Each company shall have the right, subject to paragraphs B-5, C-1-c, and C-1-d, to place express cars and passenger train type cars, for L.C.L. freight, regularly in the following trains:—

In C.P. 3 and C.P. 4, Toronto-Winnipeg.

In C.P. 7 and C.P. 8, Ottawa-Sudbury.

In C.P. 20, C.P. 21, C.P. 22 and C.P. 37, Toronto-London.

In C.P. 27, and C.P. 28, Toronto-Sudbury (non-pooled).

In C.N. 1 and C.N. 2, Sudbury-Winnipeg.

In C.N. 5, C.N. 6, C.N. 14, C.N. 15, C.N. 17 and C.N. 20, Toronto-Hamilton-London-Sarnia.

In C.N. 9, Toronto-London-Windsor-Detroit.

In C.N. 10, C.N. 11, C.N. 12, C.N. 16, C.N. 18, C.N. 105 and C.N. 117, London-Windsor-Detroit.

In C.N. 83, and C.N. 18, Toronto-London (non-pooled).

C-1-b. Where one car can be used to handle the traffic of both companies it shall be used jointly.

C-1-c. The express representatives of the two companies shall agree subject to paragraph B-5 upon the express service to be given by each company at common points in the pooled channels on pooled trains operated by the other company, so as to leave each company in the same relative express service position at such points as prior to the pooling arrangement.

C-1-d. Each company shall have the right, subject to paragraphs B-5 and C-1-c, to handle in any pooled trains at intermediate points express cars which could have been handled in the trains of such company at such points prior to the pooling arrangement.

C-1-e. Each company shall have equal right, subject to paragraph B-5 herein to handle L.C.L. freight in regular baggage cars on pooled trains operated by it and equal right subject to paragraph B-5 herein to handle L.C.L. freight

to, from and between agreed common points in regular baggage cars on pooled trains operated by the other company.

C-1-f. The right to handle the express and L.C.L. freight of one company on the non-pooled trains of the other company shall be used so as to preserve both company's in their express and L.C.L. freight service position unimpaired and shall be subject to the provisions covering this traffic on pool trains set out in paragraph B-5.

C-2-a. Mail cars and mail traffic (non-pooled)—Regular mail authorizations, including railway post offices, baggage car services, and the overflow incidental thereto, also special units of overflow or overseas mail on pool trains shall be handled in such manner as to meet the requirements of the Post Office Department.

C-2-b. Each company shall have the right to place in any pooled train at intermediate points mail cars which in the past have been placed in the train of such company at such points.

Coaches and Baggage Cars—

C-3-a. Each Company shall furnish for the pooled trains it operates the necessary coaches and baggage cars, except as may be required for representation or for car mileage equalization purposes.

C-3-b. Each Company shall have the right to place coaches and baggage cars in pooled trains at intermediate points which in the past have been placed in the trains of such Company at such points and through coaches and baggage cars to, from, through and between pooled and non-pooled points.

C-3-c. Each Company shall have equal right to operate through coaches and baggage cars on Grand Trunk Western connecting trains.

C-4. The Canadian National-Pullman agreement as it affects pool train operation shall not be amended or extended, except as in C-4-a, without the agreement of the three companies.

C-4-a. The Canadian National-Pullman agreement shall be amended so as to give the Canadian Pacific fair representation with their sleeping cars on all pooled trains on an equitable basis consistent with previous sleeping car services in these territories prior to this pooling arrangement; and Sarnia-Chicago on Grand Trunk Western connecting trains as may be required for representation or car mileage equalization purposes, and the Pullman Company and the Canadian Pacific shall furnish for such trains the necessary sleeping cars in proportions to be agreed upon.

C-4-b. In the pooled territory not covered by the Canadian National-Pullman agreement each Company shall furnish for the pooled trains it operates the necessary sleeping cars, except as may be required for representation or for car mileage equalization purposes or as may result from consolidation of trains.

C-4-c. Each Company shall have the right to place sleeping cars in pooled trains at intermediate points which in the past have been placed in the train of such Company at such points, and sleeping cars to, from, through and between pooled and non-pooled points.

Parlour Cars—

C-5-a. Each Company shall furnish for the pooled trains it operates the necessary parlour cars except as may be required for representation or for car mileage equalization purposes or as may result from consolidation of trains.

C-5-b. Each Company shall have the right to place parlour cars in pooled trains at intermediate points which in the past have been placed in the train of such Company at such points, and parlour cars to, from and between pooled and non-pooled points.

Dining Cars—

C-6 Each Company shall furnish for the pooled trains it operates the necessary dining cars except as may be otherwise agreed upon to protect public convenience.

C-7. Consists of Transcontinental Trains—

C-7-a. In the primary consists of the Montreal-Winnipeg and Toronto-Winnipeg pool services each Company shall have substantially equal car representation by appropriate classes.

C-8. Special Services—

C-8-a. Military and Naval traffic moved on regular or special trains in pooled channels on Imperial or Dominion Government requisitions shall be pooled traffic in the same manner as regular passenger train traffic.

C-8-b. Organized Society, pilgrimage, athletic, other excursions and special party traffic including Company excursions by extra or special trains in or through pooled channels including to or from or between competitive points in pooled channels shall be pooled traffic. The method of dealing with soliciting and handling such traffic with or without traffic to or from or between intermediate non-common points shall be the subject of mutual agreement from time to time between the Passenger Traffic Managers.

C-8-c. Special or extra trains commonly known and designated by the tariffs of both Companies as "Emergency trains", i.e., arranged for the movement of one or more persons whose numbers are generally known in advance and usually arranged on short notice and not advertised, such as cases of accident, illness or small special parties of any nature where the regular per capita fare does not meet the special train guarantee, and circus trains operated under contract, shall be exclusive traffic of the Company operating such trains.

Cost of track changes

D. Connections will be required between Canadian National and Canadian Pacific at Woodstock and at St. Boniface Diamond, Winnipeg. Track rearrangements and rehabilitation will be necessary at Sudbury. The total estimated cost of these changes is:—

Woodstock.. . . .	\$31,500
Sudbury.. . . .	18,000
Winnipeg.. . . .	24,500
	<hr/>
	74,000

D-1. Should the use of the Stobie Branch at Sudbury involve the companies in heavy expenditures for grade separation or in difficulties with the City of Sudbury, it is agreed that consideration will be given to the use of Coniston as an alternative point for the marshalling of the pooled trains.

Estimated savings

E. There will be a net saving of approximately 925,000 through train miles. There will be a readjustment in non-pooled train services of the respective Companies.

Number of employees released

F. Approximately 90 train service employees and an indeterminate number of other employees.

Action recommended

G. That the Companies enter into an agreement to put the proposed services into effect as soon as possible and that the agreement further provide:

Division of Revenues—

G-1. Mail revenues not to be pooled, provided, however, that should either Company experience substantial change of assigned mail allotments, an adjustment as between the Companies shall be made, which adjustment shall take into consideration the mail revenue lost and gained and the expenses avoided and incurred; the adjustment to be upon the basis of an equalization of the burden and advantage.

G-2. Express revenues not to be pooled, provided, however, that should either Company experience substantial change in its Express conditions by reason of the pooling of passenger train services, an adjustment as between the Companies shall be made, which adjustment shall take into consideration the Express Revenues lost and gained and the expenses avoided and incurred; the adjustment to be upon the basis of an equalization of the burden and advantage.

G-3. Milk traffic and L.C.L. freight traffic revenue shall not be pooled.

G-4. Passenger and baggage and surcharge revenues, irrespective of train on which earned, shall be pooled by zones and for the purpose of this report zones and sub-zones shall be understood to comprise all regularly authorized ticketing routes or channels between the following termini:

Zones—

- (a) Montreal-Winnipeg.
- (b) Toronto-Winnipeg.
- (c) Toronto-Windsor, Detroit.
- (d) Toronto-Sarnia.

Exception.—Tickets routed via the Great Lakes are not included in the Toronto-Winnipeg pool.

Sub-Zones.—

- (a) Montreal-Ottawa: originating or terminating at Ottawa only.
- (b) Winnipeg-Fort William-Port Arthur: originating or terminating at Port Arthur or Fort William only.
- (c) Toronto-Hamilton: originating or terminating at Hamilton only.

G-5. Each Company shall keep a Pool Revenue Account to which shall be credited from Agents', Conductors', and other lines' reports as from an agreed date, passenger, baggage and surcharge revenues of such company as follows:

- (a) Full revenue from traffic originating at a terminus of any pooled zone and terminating at the other terminus of such zone.
- (b) Rate pro rate proportion of revenue from traffic originating or terminating at one terminus of a pooled zone and passing through the other terminus of such zone and from traffic passing through both termini any pooled zone.
- (c) Full revenue from traffic originating or terminating at a terminus of a pooled zone terminating or originating at agreed points within such pooled zone, and traffic moving between agreed points within such pooled zone.
- (d) Rate pro rate proportion of revenue from traffic originating or terminating at a point beyond the termini of any pooled zone terminating or originating at agreed points within such pooled zone.

G-5e. The Passenger Traffic Managers of the Companies shall agree from time to time upon the intermediate points in each pooled channel within each pooled zone to and from which the revenue from tickets within and tickets from and to points beyond the zone will be included in the appropriate Pool Revenue Accounts.

G-5d. Revenue from tickets valid by optional routes (as defined in tariffs) shall accrue to the direct route.

G-5g. PROVIDED, however, that—

1. *Montreal-Ottawa Sub-Zone—*

Traffic originating at Montreal or beyond, and terminating at Ottawa, or from traffic originating at Ottawa and terminating at Montreal or beyond, shall be allocated as per Clauses *a* and *b* of paragraph G-5 to a separate and independent pooled zone within the Montreal-Winnipeg pooled zone.

2. *Winnipeg-Fort William-Port Arthur Sub-Zone—*

Revenue from traffic originating at Winnipeg or beyond and terminating at Fort William-Port Arthur, and traffic originating at Port Arthur-Fort William terminating at Winnipeg or beyond, shall be allocated as per Clauses *a* and *b* of paragraph G-5 to a separate and independent pooled zone within the Toronto-Winnipeg Pooled Zone.

3. *Toronto-Hamilton Sub-Zone—*

Revenue from traffic originating at Toronto or beyond and terminating at Hamilton and traffic originating at Hamilton terminating at Toronto or beyond, shall be allocated as per Clauses *a* and *b* of paragraph G-5 to a separate and independent pooled sub-zone except as provided in G-5-g-7 the Toronto-Hamilton pooled zone.

4. Revenue east of Winnipeg from traffic originating or terminating at Winnipeg and beyond and terminating or originating at Capreol, Sudbury, North Bay, Sault, Eganville, Renfrew, Sharbot Lake, Tichborne, Harrowsmith, Kingston, and intermediate points and in the territory north and east to Valleyfield, Montreal, St. Lin, St. Jerome, Lac Remi and Mont Laurier, shall be allocated as per Clauses *a* and *b* of paragraph G-5 to the Montreal-Winnipeg pooled zone.

5. Revenue east of Winnipeg from traffic originating or terminating at Winnipeg and beyond and terminating or originating south of Sudbury, Coniston and Souda in the territory west of Sharbot Lake, Tichborne, Harrowsmith and Kingston to and including Toronto, Cheltenham, Meaford, Penetang, Midland and Port McNicoll shall be allocated as per Clauses *a* and *b* of paragraph G-5 to the Toronto-Winnipeg pooled zone.

6. Revenue from traffic originating or terminating at Toronto or beyond and at agreed points within the Toronto-Sarnia and Toronto-Windsor zones moving via Sarnia and terminating or originating at Battle Creek or at Chicago or beyond, shall be allocated as if such traffic had moved via Windsor, and shall be credited to a separate account.

7. The Northern Navigation Company is not a party to this agreement, and its revenue and the revenue of the Great Lakes Steamships of the Pacific and rail revenue to and from lake ports on through traffic via any Great Lakes Steamship Service shall NOT be allocated to Pool Revenue of the Toronto-Sarnia and Toronto-Windsor or of the Montreal-Winnipeg and Toronto-Winnipeg pooled zones.

8. Revenue from Colonist (Immigrant) class tickets issued to cover movement of passengers arriving by trans-atlantic steamers is not included in this pool being already provided for by Canadian Pacific-Canadian National-Canadian Pacific Steamships Agreement, dated 21st October, 1931.

9. Revenue from special or extra trains and from circus trains operative under contract, as described in paragraph C-8-c, is not included in this pool.

G-5-h. Pooled passenger and baggage and surcharge revenues shall be divided equally between the companies until such time as an audit of such revenues in each zone and sub-zone of an agreed test period or periods has been completed. Thereupon the pooled revenues in each zone and sub-zone shall be adjusted retroactively to the effective date of the pooling arrangement with interest at five per cent per annum and thereafter shall divide between the two companies in proportion to be agreed upon based upon the information developed from the test period or periods, a separate percentage being used for intermediate traffic originating and terminating in the pooled zone and for through traffic, to the end that each company will take out of each zone and sub-zone the estimated proportion of the intermediate and of the through passenger and baggage and surcharge revenues, which it has contributed to such pooled zone or sub-zone.

G-6. Sleeping Car Revenues.

G-6-a. In the Toronto-Hamilton-Sarnia and Windsor zones revenues shall be handled as may be agreed to between the Canadian Pacific and the Pullman Company.

G-6-b. In the Montreal-Winnipeg and the Toronto-Winnipeg zones sleeping car revenues arising from through and from intermediate traffic handled in pooled trains and in pooled cars in non-pooled trains in or through pooled zones shall be pooled as follows:—

- (1) Revenues from standard sleepers in one pool for both zones.
- (2) Revenues from tourist sleeping cars in one pool for both zones.

G-6-c. Pooled sleeping car revenues as defined in paragraph G-6-b shall be divided equally between the companies until such time as an audit of the sleeping car revenues to be pooled in each zone of an agreed test period or periods has been completed. Thereupon the pooled revenue from sleeping car traffic in each zone shall be adjusted retroactively to the effective date of the pooling arrangement with interest at five per cent per annum and thereafter shall divide between the two companies in proportions to be agreed upon, based upon information developed from the test period or periods to the end that each company will take out of each zone the estimated proportion of such sleeping car revenue which it has contributed to such pooled zone.

G-7. Parlour Car Revenues.

G-7-a. Parlour car revenues shall be handled as follows: Parlour car revenue arising from through and intermediate traffic handled in pooled trains and in pooled cars in non-pooled trains in or through pooled zone shall be pooled.

G-7-b. Pooled parlour car revenue shall be divided equally between the companies until such time as an audit of the parlour car revenues to be pooled in each zone of an agreed test period or periods has been completed. Thereupon the pooled revenue from parlour car traffic shall be adjusted retroactively to the effective date of the pooling arrangement with interest at five per cent per annum and thereafter shall divide between the two companies in proportions to be agreed upon based upon information developed from the test period or periods to the end that each company will take out of each zone the estimated proportion of such parlour car revenue which it has contributed to such pooled zone.

G-8. Dining, buffet and news service revenues shall not be pooled.

G-9. Tickets of each company and tickets reading via the lines of either company shall be honoured on pooled trains and also on non-pooled trains in or through any of the following pooled zones and channels:—

- (a) *Montreal-Winnipeg*—In this zone Montreal shall be considered as including: Bonaventure, St. Henri, Pt. St. Charles, Tunnel, Windsor St., Westmount, Montreal West, Place Viger, Park Avenue, and Winnipeg as including National and Pacific stations.

Pool channels included in this zone shall consist of: Canadian National via North bay and Cochrane; Canadian National via Longlac and Armstrong; Canadian National via Longlac and Fort William; Canadian Pacific via Fort William.

- (b) *Toronto-Winnipeg*—In this zone Toronto shall be considered as including: Union, Don, Parkdale, North Toronto, West Toronto, and Winnipeg as including National and Pacific stations.

Pool Channels included in this zone shall consist of Canadian National via North Bay and Cochrane or Longlac; Canadian National via Longlac and Armstrong; Canadian National via Longlac and Fort William; Canadian Pacific via Fort William.

- (c) *Toronto-Hamilton, Toronto-Windsor, Toronto-Sarnia Zones*: In these zones Toronto shall be considered as including: Union, West Toronto, Sunnyside, North Toronto, Parkdale.

Windsor as including National and Pacific (MCR) Station at Windsor and Detroit.

Sarnia as including National Station at Sarnia.

Hamilton as including the National and Pacific (T.H. & B.) stations.

The pool channels included in these zones shall consist of:—

Toronto-Windsor: Canadian National via Hamilton; Canadian Pacific via Galt; Canadian National via Stratford.

Toronto-Sarnia: Canadian National via Hamilton; Canadian National via Stratford; Canadian Pacific and Canadian National via London; Canadian Pacific and Canadian National via Detroit and Grand Trunk Western.

G-9. (d) *Ticketing via Sarnia*—

Tickets issued by the Pacific and tickets of other lines reading via the Grand Trunk Western-Pacific between Chicago and points on or via the lines of the Pacific shall be honoured on pooled and non-pooled trains by the lines of Grand Trunk Western and National via Sarnia and via Detroit-Windsor and the Passenger Traffic Officers shall agree as to forms of tickets and shall jointly advise other lines accordingly.

(e) *Passenger Traffic to and from Detroit and via Detroit*—

Tickets issued by the Pacific to or from or via Detroit, and tickets of other lines reading by the Pacific from or to Detroit, shall be honoured by the National between Windsor and Detroit.

On traffic to or from Detroit, and on traffic interchanged between the Pacific and its connections at Detroit, the Pacific shall retain its present identity, rights and privileges and shall receive Detroit divisions. For the handling of the Pacific traffic between Windsor and Detroit and for these rights and privileges the Pacific shall pay to the National the portion of the revenue accruing between said points.

H. Division of Services and Expenses.

H-1. Existing joint facility agreements at Toronto and Ottawa shall continue to govern, and fifty per cent of the pooled services using such properties shall be apportioned to each Company.

On the Hamilton Joint Section a car in pool business shall be counted for proportioning maintenance expenses as one-half car to each Company.

Provided that if these divisions of joint facility costs are found in practice to be unfair, equitable divisions shall be negotiated.

H-2. Exclusive properties of either Company may be used by pooled services as may be required without compensation other than the equalization of services and adjustments hereinafter provided. In the event of pooled trains operated by one Company being detoured over the lines of the other Company the detour agreement in effect from time to time shall apply, except that the train mile trackage rate and the engine mile rate shall be one-third of the standard detour agreement rate.

H-3. The division of services and expenses of the pooled services shall be such as to divide equally between the Companies the economies effected by the pooling arrangement.

H-4. For the purpose of equalizing transportation expenses pooled train miles and, by appropriate classes, pooled car miles shall be equalized as far as possible. Subject to the provisions of paragraph (8) of this section, any surplus shall be adjusted on the basis of out-of-pocket cost.

H-5. For the purpose of equalizing maintenance of equipment expenses, pooled locomotive miles and, by appropriate classes, pooled car miles shall be equalized as far as possible, provided that sleeping car miles in Toronto-Hamilton-Sarnia and Windsor zones pooled trains operated by either Company and dining car mileage shall not be equalized. The locomotive miles shall be taken to be the same as the train miles. Should one Company perform more pool car miles than the other, an appropriate number of additional locomotive miles shall be allowed the Company having such excess car miles. Subject to the provisions of paragraph (8) of this section, any surplus shall be adjusted on the basis of out-of-pocket cost.

H-6. For the purpose of equalizing interior expenses of sleeping cars in Montreal-Winnipeg and Toronto-Winnipeg zones and of parlour cars in Toronto-Hamilton-Sarnia and Windsor zones and in Montreal-Winnipeg and Toronto-Winnipeg zones pooled sleeping car miles and pooled parlour car miles operated by each Company shall be equalized separately as far as possible. Subject to the provisions of paragraph (8) of this section, any surplus shall be adjusted on the basis of out-of-pocket cost. Each Company shall bear the interior expenses of operating its own or leased sleeping cars furnished by it for handling traffic on pooled trains in Toronto-Hamilton-Sarnia and Windsor zones.

H-7. For the purpose of equalizing terminal expenses, such as coach yard, locomotive terminal, and switching expenses such expenses incurred by each Company in connection with pooled trains at points not covered by joint agreement shall be equalized as far as possible by units of service and by classes of service. Subject to the provisions of paragraph (8) of this section, any surplus shall be adjusted on the basis of out-of-pocket cost.

H-8. There shall be jointly compiled a statement of average annual train, locomotive and by appropriate classes car mileage and expenses of terminal services of each Company as at the date of the pooling arrangement for the through competitive train services to be pooled, and the difference in each item determined. The above units of service performed in connection with movement of D.H. equipment shall be compiled in conformity with H-12. In order to equally divide the economies between the two Companies, the proportion of the pool service to be rendered by each Company shall be adjusted so as to maintain these differences.

For the purpose of this clause, the following are agreed to as being the train services in question:—

(a) *Toronto-London-Windsor-Sarnia—*

Train No.	Between	Frequency
C.P. 19	Toronto and Windsor.. . . .	Daily
C.P. 20	Windsor and Toronto.. . . .	Daily
C.P. 21	Toronto and Windsor.. . . .	Daily
C.P. 22	Windsor and Toronto.. . . .	Daily
C.P. 37	Toronto and Windsor.. . . .	Daily
C.P. 38	Windsor and Toronto.. . . .	Daily
C.P. 635	Toronto and Windsor.. . . .	Daily ex. Sunday
C.P. 642	Galt and West Toronto.. . . .	Daily ex. Sunday
		during period day-light saving time
C.N. 15	Toronto and Sarnia.. . . .	Daily
C.N. 4	Sarnia and Toronto.. . . .	Daily
C.N. 5	Toronto and Sarnia.. . . .	Daily
C.N. 6	Sarnia and Toronto.. . . .	Daily
C.N. 17	Toronto and Sarnia.. . . .	Daily
C.N. 20	Sarnia and London.. . . .	Daily
C.N. 16	Windsor and Toronto.. . . .	Daily
C.N. 9	Toronto and Windsor.. . . .	Daily
C.N. 117	London and Windsor.. . . .	Daily
C.N. 10	Windsor and London.. . . .	Daily
C.N. 105	London and Windsor.. . . .	Daily
C.N. 12	Windsor and London.. . . .	Daily
C.N. 11	London and Windsor.. . . .	Daily
C.N. 18	Windsor and London.. . . .	Daily

(b) *Toronto-Hamilton—*

C.P. 761	Toronto and Hamilton.. . . .	Daily ex. Sunday
C.P. 732	Hamilton and Toronto.. . . .	Daily ex. Sunday
C.P. 763	Toronto and Hamilton.. . . .	Daily
C.P. 762	Hamilton and Toronto.. . . .	Daily

(c) *Montreal-Toronto and Winnipeg—*

C.P. 7	Montreal and Sudbury.. . . .	Daily
C.P. 8	Sudbury and Montreal.. . . .	Daily
C.P. 3	Toronto and Winnipeg.. . . .	Daily
C.P. 4	Winnipeg and Toronto.. . . .	Daily
C.N. 1	Montreal and Winnipeg.. . . .	Daily
C.N. 2	Winnipeg and Montreal.. . . .	Daily
C.N. 3	Toronto and Capreol.. . . .	Daily
C.N. 4	Capreol and Toronto.. . . .	Daily

(d) C.P. 646-645-648-650-649-652-651-654-653, one deadhead trip Guelph-Guelph Junction.

H-8. (e) C.N. 94-95 Sudbury and Sudbury Jct.
96-97

H-9. Units of service performed in handling mail, express and other non-loaded cars, including deadhead movements in connection therewith, by one company for the other shall be equalized as far as possible. Any surplus shall be adjusted on the basis of out-of-pocket cost.

H-10. Each Company shall bear the interior expense of dining and buffet car service furnished by it on pooled trains and maintenance expenses of such dining cars, provided that if this should be found to work unfairly as compared with conditions at the effective date of the pooling arrangement the necessary adjustment shall be made to equalize the burden and advantage.

H-11. Units of service performed in operating extra pooled trains shall be credited to the Company performing the service.

H-12. For the purpose of equalizing road haul transportation expenses, maintenance of equipment, interior expenses, terminal expenses, coach yard expenses and engine house expenses all in connection with the movement of deadhead equipment incidental to the pooling arrangements, these expenses shall be distributed as follows:—

- (a) Train and car mileage incurred in handling deadhead equipment in special trains of deadhead equipment or sections of pool trains consisting of deadhead equipment, incidental to the pooling arrangements shall be charged to the pooling arrangements and the Company making the same given credit therefor.
- (b) For the purpose of apportioning terminal wheelage expenses, locomotives and cars of the trains mentioned in paragraph H-12-a and the deadhead cars incidental to the pooled service in pooled trains shall be counted as expenses of the pooling arrangements.
- (c) For the purpose of equalizing engine house expenses locomotives despatched incidental to the trains mentioned in paragraph H-12-a shall be counted as expenses of the pooling arrangements.

H-13. In cases where trains of one company operate over the line of the other company and the arrangement is not covered by a joint facility agreement, the party operating the train shall compensate the other for the additional maintenance expenses incurred by reason of the joint use.

The amount and method of such compensation to be determined by agreement and to be subject to revision at the request of either company at the end of each calendar year.

H-14. Each company shall bear all expenses of its News Service.

H-15. If sections of pooled trains can be avoided by either company handling on non-pooled trains through pooled channels cars ordinarily handled on pooled trains this shall be done by agreement and units of service in handling such cars shall be credited to the road performing the service. The companies shall endeavour to handle the traffic served by a pooled train in accordance with established operating practice of the company operating such train and when more cars are offered for movement on any such train than can be handled on pooled or non-pooled trains they may be handled in additional sections as has been the past practice and as may be determined by the operating officers of the companies, provided that neither company shall be required to operate an additional section as a pooled train for the exclusive accommodation of express and/or L.C.L. freight traffic of the other company and neither company shall operate an additional section as a pooled train for the exclusive accommodation of its express and/or L.C.L. freight traffic.

H-16. The cost of inter-station transfer of passengers and baggage resulting from pooling arrangements, and inter-station transfer of pooled traffic at Detroit, shall be divided equally between the two companies.

H-17. The cost of inter-station transfer of express and of handling express at junction points shall be borne as agreed upon by the respective express departments.

H-18. Immigration inspection and the customs examination expenses of the Windsor-Detroit and the Sarnia-Port-Huron passenger services shall be borne by each company in the proportion established by such expenditures of each company in the twelve months immediately preceding the effective date of this pooling arrangement.

H-19. Each company shall pay an equal proportion of the expenditures involved in making the track changes agreed upon.

H-20. As soon as possible after the completion of the pool arrangement the statement referred to in paragraph (8) of this section shall be compiled and the terms of settlement of net balance of expenses including interest at 5 per cent per annum shall be determined.

I. Re-routing Chicago Traffic.—The gain to the Canadian National from the re-routing of Canadian Pacific traffic Windsor-Chicago over the rails of the Grand Trunk Western Sarnia-Chicago is an advantage due to this co-operative measure. The Joint Co-operative Committee due to probable international complications has been unable to provide means, in this report, for equitable distribution of this advantage having due regard to the increased operating expenses of the Grand Trunk Western and to the diminished expenses of the Canadian Pacific incident to this traffic. The Joint Co-operative Committee would call this fact to the attention of the Joint Executive.

J. Ticketing Facilities.—

1. At agreed common points in pooled channels, the station ticket agents and station employees of the Company over whose line pooled train services are operated shall be neutral in the performance of their duties and shall give to the public full and complete information as to train times and fares of the pooled and of the non-pooled train services of each Company within and beyond the pooled channels and route passengers via authorized routes in accordance with their request.
2. The employees of the National and Pacific Passenger Traffic and City Ticket offices at Detroit and Chicago and the station ticket agents and station employees at Detroit shall be neutral in respect to the routing of traffic in and through Pool Zones, and shall give to the public full and complete information in respect to train times and fares for the pooled and non-pooled trains in pool territory, and the National shall arrange that the Grand Trunk Western employees at Battle Creek Station and those acting for the Grand Trunk Western at Chicago station and employees and Grand Trunk Western trains shall undertake similar neutrality and similar impartial service to the public for traffic into and through pool zones.
3. The Company operating stations at Detroit, Windsor, Chatham, London, Sudbury and Fort William, Port Arthur, North Bay shall, if and when requested, provide space and adequate facilities for the sale of tickets by the other Company good on and via pool trains.

K. Neutrality of Pooled Train Employees. Employees of such Companies engaged in operation of pooled trains, and on Grand Trunk Western connecting lines, shall be neutral in the performance of their duties and shall give to the public such information as to pooled and non-pooled train services of each company as they are able to give.

L. Competitive Traffic Beyond the Pool. Should either Company consider that an undue variation in the proportion of the revenue of the respective Companies beyond the pooled channels has occurred because of the pooling arrangements compared with the situation prior to pooling, at the request of either

Company the matter shall be investigated and the necessary steps taken to equitably adjust the burden and advantage.

M. Disturbance of Non-Pooled Intermediate Traffic. If in practice this arrangement for co-operation between the Companies to secure mutual economies places an undue burden upon either Company due to loss of revenue arising from intermediate traffic to, from and between non-common points, or due to necessity for rearranging train services to handle such traffic, they shall negotiate such fair adjustments upon the request of either Company as will equitably distribute the burden and advantage. The probable disturbance to this intermediate traffic because of this pooling arrangement will result in changes in non-pool train services. For the present each Company shall bear the cost of its non-pooled trains involved. The results of this disturbance to intermediate traffic shall be examined and if found substantially out of balance such adjustments shall be made as will equitably distribute the burden and advantage.

N. Liabilities. The terms to govern the settlement of liabilities for loss, damage and injury of every nature shall be left to the law Departments of the two Companies to determine.

O. General Provisions. If in practice this arrangement for co-operation between the Companies to secure mutual economies does not make and maintain an equitable division of the economies resulting from the pooling arrangement they shall negotiate such fair adjustments upon the request of either Company as will equitably distribute the burden and advantage.

P. Settlement of Balances. Any balances of excess service accruing to either Company at the end of each calendar year may be credited against balances which may have accrued to the other Company from other passenger service pooling arrangements.

Q. Limiting Date for Adjusting Balances. In order that it will be necessary to review ticket reports once only, the detailed study to determine the final division of revenues shall be deferred until the extent of probable final pooling areas has been agreed upon, but the determination of the basis for the equitable division of services, revenues and expenses in accordance with the provision of this report and the retroactive adjustments between the Companies shall be completed by December 31, 1935.

R. Term of Agreement. This agreement shall remain in force for a period of one year from its effective date, subject to termination upon sixty days prior notice in writing and if not so terminated at the end of one year from its effective date shall continue thereafter in force, subject at any time to termination upon one year's prior notice in writing.

S. The Operating, Traffic, Accounting, Law and Express Officers of the respective Companies shall be instructed to meet to draft the agreement, to agree on schedules, advertising arrangements, necessary application to Board of Railway Commissioners, advice to employees and all other details.

EXHIBIT "K"

CANADIAN PACIFIC RAILWAY COMPANY

MONTREAL, July 13, 1934.

Hon. C. P. FULLERTON, K.C.,
Chairman of Trustees,
Canadian National Railways,
Montreal, Que.

Dear Mr. FULLERTON,—At a meeting of the Canadian Pacific Directors held on the 6th inst., consideration was given to the policies to be followed by this Company in respect to Co-operative measures, especially in the light of the action of the Government in withdrawing the Telegraph and Express Bills.

The Canadian Pacific Directors are of the view that the recent action cannot but have a retarding influence on the efforts of the companies to effect economies, constituting as it does a negation of the theory of the legislation of 1933, which forms the basis of efforts toward joint economies first recommended by the Duff Commission and subsequently approved by Parliament.

After very full discussion of the matter, I was requested to write you and indicate that in their opinion the action of the Government should not interfere with investigations initiated by the companies and that these should be prosecuted in the hope that agreements may be reached in ample time to permit of the bills being reintroduced into Parliament at the next session which, conceivably, may be held before the end of the present year. You will recall that the principal reason given for the withdrawal was that the companies had not concluded their discussions and that there was, therefore, no urgency for parliamentary action. Other influences were undoubtedly exercised, with which you are no doubt familiar.

The Canadian Pacific Directors have also given consideration to other measures of economy now being studied by our committees. I enclose four copies of memoranda of the questions which are under review and the present position of each.

I have now received a memorandum prepared by the Canadian Pacific section of the Joint Co-operative Committee under date of the 11th inst., summarizing the points of difference between the two sections in respect of the pooling arrangements west of Toronto and in the Transcontinental (east of Winnipeg) services, four copies of which are enclosed. My own consideration of this memorandum has led me to conclude that second only to the question of economy is that of public convenience, and that when the latter is protected or increased we may expect a much more ready acceptance of our proposals by the public and by Parliament. Equitable distribution of burden and advantage is, of course, required under the legislation of 1933.

May I add just a word in reference to line abandonments. You have, I understand, under consideration a fairly extensive program of line abandonments in your own non-competitive territory. The Canadian Pacific also have some lines in its exclusive territory under consideration for abandonment, and is willing to submit these to your Company when your own program has been determined, with a view to each Company making application to the Railway Commission at approximately the same time. It is also willing to expedite consideration of those lines the abandonment of which requires joint action by our companies.

When you and your co-trustees have had an opportunity of considering the enclosed data, I would like to have a meeting of the Joint Executive Committee if possible during the week of July 23. I will be absent from Montreal during most of next week.

I shall appreciate hearing from you at your convenience.

Yours very truly,

(Sgd.) E. W. BEATTY,

Chairman and President.

Memorandum for the Chairman and President:

The Joint Co-operative Committee so far has been unable to reach agreement in regard to pooling of west of Toronto and Transcontinental (east of Winnipeg) services, and unless one or other section of this Committee is able to withdraw from the position it has taken, only a disagreement report can be submitted to the Joint Executive. The Canadian Pacific Section, therefore, is submitting this memorandum with a view to securing such instructions as its Executive may wish to give in regard to the matter.

A short history of co-operative pooling of passenger trains may be of assistance.

Due to the existence of Union Stations at both Ottawa and Toronto the pooling of Ottawa-Toronto night passenger trains had been under consideration for many months prior to the formal undertaking of co-operation between the railways in December, 1932, and one of the earliest objects of the Joint Co-operative Committee was to bring this about. The night mail service required that this pooled train service be operated over Canadian Pacific tracks via Peterborough. In order to secure an equitable distribution of burden and advantage the Canadian Pacific Section agreed that there should be an off-setting pool to be handled by the Canadian National. Under Joint Co-operative Committee Report No. 4, of March 7, 1933, pooling of the through Ottawa-Toronto trains under Canadian Pacific operation and of the fast afternoon Montreal-Toronto trains under Canadian National operation was made effective April 2, 1933. Although this report provided that the fast afternoon pooled trains should use Windsor Street station in both directions, it became necessary for the Canadian Pacific, in order to get the recommended pooling into effect, to agree that the westbound train would depart from Windsor Street station and that the eastbound train would arrive at Bonaventure station.

Report No. 4 was submitted in anticipation of the pooling of the balance of the Montreal-Toronto services as soon as means could be found to secure an equitable balance for such pooling. The Canadian Pacific Section considered that this could be found in the Montreal-Quebec services, and on March 22, 1933, forwarded to the Canadian National Section a draft proposal covering these areas. The Canadian National management, although stating that the proposal was generally fair and acceptable from a railway point of view, decided that they could not adopt it at that time.

A general survey of possible pooling in Eastern Canada was then made by the Joint Co-operative Committee. In addition to the pooling arrangements now in effect this included Montreal-Boston, West of Toronto and Transcontinental services, and led to the conclusion that such pooling was dependent upon the method of using the passenger stations of the two Companies in Montreal. As even the limited pool would not have been possible without the Union Stations at Ottawa and Toronto, and as a Union Station existed at Quebec, the Canadian Pacific Section considered that all pooled trains and all principal connecting trains at Montreal should be based upon Windsor Street Station, thus making use of the better of the two major stations, giving

passengers access to Westmount and Montreal West, and bringing practically all interchange at Montreal into the one single station capable of handling the traffic without substantial capital expenditures. This would insure maximum economy to the railways and maximum service and convenience to the public. The Canadian National claimed that they could not enter into any arrangement which did not make substantially equal use of both Bonaventure and Windsor Street Stations. As a result Joint Co-Operative Committee Report No. 10, of August 11, 1933, reciting this disagreement, was submitted. This report has not yet been disposed of by the Joint Executive.

The Joint Executive on January 9, 1934, agreed to instruct the Joint Co-operative Committee, pending further consideration of the Montreal terminal situation, to submit a report covering an extension of the original pool to include Montreal-Quebec and the balance of the Montreal-Toronto and Ottawa-Toronto trains, with the Montreal-Quebec trains (except Canadian National Maritime services) and the fast afternoon and the Canadian Pacific night Montreal-Toronto trains based upon Windsor Street Station, and with the day and the Canadian National night Montreal-Toronto trains based upon Bonaventure Station. Joint Co-operative Report No. 28, of January 31, 1934, which was made effective March 11, 1934, was submitted accordingly. This use of the Montreal stations has resulted in disadvantage to the public due to a substantial increase of interchange between the pooled Toronto and non-pooled Canadian National trains using Bonaventure Station and the pooled Quebec and non-pooled Canadian Pacific trains using Windsor Street Station, all of which would have been avoided had the Canadian Pacific view in regard to the use of Windsor Street Station as a joint station been made effective.

The Joint Executive on January 9, 1934, also agreed to instruct the Joint Co-operative Committee to submit a report covering the pooling of the Montreal-Vaudreuil Suburban services, the trains to operate from and to Windsor Street Station. After exchanges of draft reports, the latest of which was sent to the Canadian National Section by the Canadian Pacific Section under date of February 2, 1934, no action resulted until two months later, when the Canadian Pacific Executive was advised by the Canadian National Executive that this service should not be pooled at that time.

Although the Canadian Pacific Section of the Joint Co-operative Committee considered that no further pooling in Eastern Canada, other than the Montreal-Vaudreuil Suburban services, should be undertaken prior to agreement upon the use of a single station in Montreal, the Joint Co-operative Committee was instructed to study pooling of West of Toronto and Trans-continental services. For the Canadian National a West of Toronto pool would have many advantages and apparently few disadvantages. It would give them control of the Chicago business of the Canadian railways and would not remove a single train mile from Canadian National tracks. For the Canadian Pacific, however, it would have no advantage other than economy in passenger train miles, and would have the disadvantage of practically destroying Canadian Pacific identity in this territory by cancelling approximately 400,000 Canadian Pacific passenger train miles, and transferring over 4,000 Canadian Pacific passenger train miles to Canadian National tracks. These cancellations and transfers would eliminate Canadian Pacific passenger trains London-Windsor, and substantially reduce Canadian Pacific train service Toronto-London. In addition to these disadvantages some of the difficulties facing the Canadian Pacific were:—

- (a) The elimination of Canadian Pacific passenger train services on its own tracks with its own trains in one of the most important traffic territories in Canada, severing its long established direct connections through the Detroit Gateway to the important traffic centres in the Central, Southern and Western States;

- (b) The elimination of recognized Canadian Pacific stations at London, Chatham, Windsor, Detroit and Chicago, and the transferring of all Canadian Pacific passenger train traffic to the corresponding Canadian National stations;
- (c) The effect of such eliminations and severances upon Canadian Pacific freight traffic interests in the intermediate territory served through the Detroit Gateway;
- (d) The necessity of revision of the Canadian National-Pullman contract to permit of pooling Canadian Pacific and Pullman sleeping car traffic and revenue Montreal-Detroit-Sarnia and the operation of Canadian Pacific sleeping cars in through service to and from Chicago;
- (e) The necessity of severing contractual relations with the Michigan Central for passenger service between Montreal-Toronto-Detroit-Chicago which, in the absence of mutual arrangement to the contrary, would require six months' notice;
- (f) The effect of the cancellation of the passenger traffic contract upon freight interchange with the Michigan Central;
- (g) The effect upon the important Canadian Pacific Steamship interests which must seek development from traffic to and from points in Western Ontario and in the Central, Southern and Western states if the passenger's direct contact with the steamships through the distinctive Canadian Pacific service were broken by the use of Canadian National trains and stations.

As it appeared to be impossible to find an equitable distribution of burden and advantage in pooling west of Toronto only, but as it was thought that this might be found by inclusion of the Transcontinental services, these areas were coupled in the studies by the Joint Co-operative Committee.

For more than six months past every effort has been made to complete report on the pooling of West of Toronto and Transcontinental services; but so far little conclusive progress has been made, and none of the difficulties outlined above in connection with the West of Toronto pooling has been overcome.

As a result of study by the Joint Co-operative Committee and its various sub-committees, the following points of difference emerge:—

A. The method of balancing burden and advantage in so far as train cancellation and labour displacement are concerned.

The Canadian National originally proposed:—

- (a) That the Canadian Pacific operate certain pooled trains London-Windsor over Canadian National tracks;
- (b) That the Canadian National operate the Montreal-Winnipeg pooled trains Ottawa-North Bay over Canadian National tracks;
- (c) That the Canadian Pacific operate the Toronto-Winnipeg pooled train Toronto-Bala Park over Canadian National tracks; and
- (d) That the Canadian National operate as a part of the pooled Montreal-Winnipeg service a train Montreal-Ottawa over Canadian National tracks.

If the Canadian Pacific will agree to the operation of the Montreal-Ottawa service in (d) the Canadian National will handle the London-Windsor trains

(a) and agree to the Canadian Pacific operating on its own tracks the service listed in (b) and (c).

- (a) and (b) The Canadian National position is that the operation by the Canadian Pacific of trains London-Windsor over Canadian National tracks and by the Canadian National Ottawa-North Bay over Canadian National tracks would aid the Canadian National labour situation by distributing labour displacement among several promotion districts.

and might be of similar advantage to the Canadian Pacific, and that operation of Canadian Pacific trains over Canadian National tracks London-Windsor would be a step in the direction of line abandonment by the Canadian Pacific, as suggested, Woodstock-Windsor.

The Canadian Pacific position is that due to existing agreements Canadian Pacific labour cannot operate over Canadian National tracks London-Windsor, and that the track abandonment study Woodstock-Windsor has not yet advanced to a point where it can be considered in determining action to be taken in connection with pooling.

- (c) The Canadian National position is that to operate over Canadian National tracks Toronto-Bala Park would save extra train sections by reason of more favourable grades.

The Canadian Pacific position is that the difference in extra sections involved Toronto-Bala Park is negligible, being estimated at only 2,000 miles per annum, that the Canadian Pacific tracks have heavier rail and better ballast, are better maintained and are the more suitable for passenger trains, that the use of the Canadian Pacific line permits of Western connections at West Toronto and serves local traffic at both Parkdale and West Toronto, and that such use would allow further economy by permitting the Canadian National to reduce its maintenance standard Toronto-Bala Park.

- (d) The Canadian National position is that the operation of a leg of the pooled transcontinental service by the Canadian National Montreal-Ottawa is essential to it for its express fish traffic, its Maritime, Boston and New York connections, and to protect its traffic beyond Montreal and Winnipeg, that the Canadian Pacific cannot make the present time of two hours and fifteen minutes on its line Montreal-Ottawa with the single pooled train it proposes, and that to operate the pooled train as one train out of Montreal would involve so many additional train sections on the Canadian Pacific that the regular operation of a Canadian National train from Bonaventure would be justified.

The Canadian Pacific position is that discussion should be had with the railway express agency to see if an arrangement could be made to give the Canadian National the same net revenue as at present from the express fish traffic if it moved via Windsor street station instead of Bonaventure station, that any disturbance of the "beyond" business resulting in advantage to the Canadian Pacific could be taken into consideration in connection with business transferred from the Michigan Central west of the Detroit river, than the Canadian Pacific can make two hours and forty-five minutes or less Montreal-Ottawa with the pooled train and that this is no more time than would be required under the present schedule plus switching time at Ottawa if the Transcontinental trains east of Ottawa were based on both Windsor street and Bonaventure stations, that the second section miles Montreal-Ottawa, as jointly estimated, are less than 20,000 per annum as compared with approximately 90,000 per annum involved in a regular Canadian National train, and that to have a pooled train based upon both Windsor street and Bonaventure stations would involve additional cars in the consolidated train beyond Ottawa, thus reducing the car mile economy and increasing second section operation beyond Ottawa, and would also result in confusion and inconvenience to the public.

The Use of Montreal and Winnipeg Stations

The Canadian National would not agree to the original Canadian Pacific proposal of July, 1933, that the Canadian Pacific stations at both Montreal

and Winnipeg be used by the pooled Transcontinental trains. As a compromise the Canadian Pacific offered in February, 1934, to route its pooled Transcontinental trains via the Canadian National Winnipeg station, if Windsor street station only were used by this pooled service at Montreal. The Canadian National have not agreed to this compromise. They have stated that both stations must be used in Montreal, but that they are willing to consider routing the pooled trains via the Canadian Pacific station at Winnipeg.

The Canadian Pacific section considered that the pooled Transcontinental services should be based upon Windsor street station at Montreal and upon the Canadian Pacific station at Winnipeg. In its opinion this is the only method of handling the pooled Transcontinental services with convenience to the public, economy of train and car miles and equalization of load between pooled trains Sudbury-Winnipeg. It considers that any burden on the Canadian National by its use of these Canadian Pacific stations is negligible in comparison with the Canadian Pacific burden by its use of Canadian National trains, tracks and facilities in practically all Montreal-Chicago service.

C. Substitute Mileage

The Canadian National argue that they alone in this proposed pooling arrangement suffer by the withdrawal of trains Montreal-Sudbury and Toronto-Sudbury. They state that in these territories local trains will have to be operated more frequently than at present to provide for local traffic now handled on the trains proposed to be cancelled. They claim that the expenses of these trains which reduce their net economy must be a charge to the pool.

The Canadian Pacific has contended that each company should bear its own burdens in connection with its local traffic as one of the indirect results of pooling and that neither company should become involved in the non-pooled local services of the other. The Canadian Pacific section believes that over the entire pooling area the burden of dealing with local traffic is substantially in balance, but has expressed willingness to examine the facts to determine if this is the case.

D. Passenger traffic diverted from Michigan Central to Grand Trunk Western.

The Canadian National agree that there is an advantage to them from the diversion of passenger traffic from the Michigan Central to the Grand Trunk Western due to the pooling arrangement, but state that this is a collateral advantage outside of the main issue which should be borne in mind as it cannot be paid for directly. They claim that it is not possible to determine definitely the amount of this advantage and that, in any event, for fear of international complications they have been unable to determine any means of equitably distributing this advantage.

The Canadian Pacific considers that this is an advantage which, under the Canadian National-Canadian Pacific act, 1933, must be equitably distributed and that an agreed value for this purpose can be determined.

Although there are still numerous relatively minor points of difference to be solved by the Joint Co-operative Committee, it is believed that with a solution of the fundamental points of difference outlined in "A", "B", "C" and "D", a report with few, if any, points of dissent can be prepared, leaving to the Joint Executive for decision such matters only as fall without the scope of the Joint Co-operative Committee. The Canadian Pacific Section, therefore, requests such instruction as its Executive may wish to give in regard to these major points.

(Sgd.) JOHN E. ARMSTRONG,
Chairman, Canadian Pacific Section
Joint Co-operative Committee.

Montreal, Que.,
July 11th, 1934.

MONTREAL, July 16th, 1934.

E. W. BEATTY, Esq., K.C.,
Chairman and President,
Canadian Pacific Railway System,
Montreal, Quebec.

Dear Mr. Beatty:

I have your letter of the 13th instant.

I can see no reason why the studies in connection with the Telegraph and Express matters should not be proceeded with.

With reference to that portion of your letter which deals with extension of passenger train pooling and the memorandum from the C. P. Section of the Joint Co-operative Committee asking instructions from the Canadian Pacific Executive enclosed therewith; on perusing this memorandum it does not seem to me desirable that the Joint Executive Committee, should deal with the matter until the Joint Co-operative Committee has reported either in agreement or dissent.

I am advised by the C. N. Section of the Joint Co-operative Committee that at the last Co-operative meeting held July 10th, an impasse having been reached the C.P. Section requested time to consult with the Canadian Pacific Executive as to the points of difference between the two sections before reporting dissent.

I may say I am fully informed as to the compromise proposal which the Canadian National section is willing to agree to and it is quite impossible for the Canadian National to make any further concessions in the proposed pooled train services. If the C.P. cannot agree to this compromise in its fundamental, a joint dissent report to the Joint Executive should form the basis for further negotiations, but I think you will agree it is not desirable to discuss in the Joint Executive an ex-parte statement of the difficulties.

If it is your desire to have a meeting during the week of July 23rd this will be quite satisfactory to us, and any matters properly on the agenda can then be considered.

Yours faithfully,

(Sgnd.) C. P. FULLERTON,

Chairman.

ON LINE, July 19th, 1934.

Hon. C.P. FULLERTON, K.C.,
Chairman of Trustees,
Canadian National Railways,
Montreal, Quebec.

Dear Mr. FULLERTON,—

Referring to your letter of the 16th instant.

I am glad you agree that the Telegraph and Express matters should be proceeded with and I trust that you also agree with my suggestion in regard to exclusive and joint line abandonments.

The Canadian Pacific section of the Joint Executive Committee considers that progress may be made of the present situation in regard to all co-operative measures if jointly considered. With this in mind, copies of a memorandum in regard to such measures were enclosed with my letter of the 13th inst.

This general review should quite properly include discussion of pooling of passenger trains, and for your information I enclosed copies of a memorandum in connection with the current studies. I did not intend that you should understand that discussion was in any way to be limited to this pooling memorandum. In my opinion the problems confronting us jointly go much beyond this in scope.

I am unable to see why a Joint Executive Committee meeting should not consider now the matters referred to in my letter to you, and I should like to have a meeting for that purpose during the week of July 23rd.

Yours very truly,

(Sgnd.) E. W. BEATTY,
Chairman and President.

MONTREAL, July 23rd, 1934.

E. W. BEATTY, Esq., K.C.,
Chairman and President,
Canadian Pacific Railway Co.
Montreal, Que.

DEAR MR. BEATTY,—I have your letter of July 19th.

We shall be pleased to deal with any co-operative matters at the next meeting of the Joint Executive Committee which can be profitably discussed at that time. I think it would be desirable if you would furnish me, in advance, with a list of the specific matters which you wish to touch on, as I do not find your letter of July 13th sufficiently explicit in that regard.

I must say, however, a discussion in the Joint Executive of the difficulties which the Joint Co-operative Committee have encountered in working out a pooling arrangement for West of Toronto and Transcontinental services would be fruitless at this time. The most expeditious and satisfactory measure of handling this matter will be to get a joint report from the Joint Co-operative Committee either in agreement or dissent. The report may then be dealt with by the Joint Executive Committee.

I am sorry that I will not be available for a meeting this week, but suggest Tuesday, July 31, in the afternoon.

Yours faithfully,

(Sgnd.) C. P. FULLERTON,
Chairman.

CANADIAN PACIFIC RAILWAY COMPANY

MONTREAL, October 9, 1934.

Honourable C. P. FULLERTON,
Chairman of Trustees,
Canadian National Railways,
Montreal, Que.

DEAR MR. FULLERTON,—I enclose herewith copy of memorandum prepared by the Canadian Pacific Section of the Joint Co-operative Committee, which, I am assured, correctly outlines the position of the various line abandonment questions referred to that Committee. These, I understand, comprise some of the subjects you would like to discuss when the Joint Executive Committee meets.

I might add, by way of explanation, that of the line abandonments which have been reported upon by the Joint Co-operative Committee (Clause 1 of the memorandum) Report No. 15, Estevan-Bienfait, recommending against abandonment, Reports Nos. 25, St. Johns-Farnham, 30, Bala-Wanup, and 31, Grand Falls-Edmundston, recommending abandonments, and Report No. 26, Linwood-Listowel, recommending that these lines be dealt with when the principles for territorial abandonment (Clause 7) have been settled, have been

approved by the Joint Executive Committee. Report No. 29, Arnprior-Eganville, has not yet been approved by your Company.

I hope to be able to indicate, when we confer, the position of our own investigations respecting Canadian Pacific line abandonments in non-competitive territory. I would naturally appreciate if you would let me have a memorandum of the matters, which from the standpoint of your Company, should, in your judgment, be taken up at the next meeting.

After careful consideration it has been decided by our Executives that this Company cannot agree at the present time to proceed on any basis heretofore suggested with a pooling West of Toronto which would involve the severance of its present satisfactory arrangements with its connections for the handling of traffic to and from Chicago, because of the seriously detrimental effect such pooling would have on the Company's rail and steamship interests.

The difficulties in the way of reaching a mutually satisfactory arrangement in regard to pooling West of Toronto and in Transcontinental (East of Winnipeg) passenger train services appear at present to be insurmountable and, under the circumstances, in my opinion no useful purpose will be served by our considering them further.

Yours very truly,

(Sgnd.) E. W. BEATTY.

EXHIBIT "L"

CANADIAN NATIONAL RAILWAY COMPANY—CANADIAN PACIFIC RAILWAY COMPANY
JOINT CO-OPERATIVE COMMITTEE

Report No. 37

To the President, Canadian National Railway Co.

To the Chairman and President, Canadian Pacific Railway Co.

Executive Allotment No. 1

Extension of pool of passenger trains Montreal-Boston day and night services

Proposal

- (1) That the Montreal-Boston day and night passenger train services of the two companies be pooled.
- (2) That the resulting services be designated and advertised as "pooled trains".

Report for the United States Federal Co-ordinator of Transportation:

A special committee of representatives of the Canadian Pacific, the Canadian National, the Central Vermont, the Rutland and the Boston and Maine, under the Chairmanship of Mr. J. W. Smith, Vice-President and General Manager of the Boston & Maine, after making a study of the Montreal-Boston passenger train services via the Canadian Pacific-Boston & Maine, the Canadian National-Central Vermont-Boston & Maine and the Rutland-Boston & Maine, reported under date of April 5, 1934, to Mr. M. W. Clement, Chairman, Operating Committee, Eastern Region Railroads for the United States, Federal Co-ordinator of Transportation, that,—

The final decision of the committee, as a result of the study made, is that it is impracticable at the present time to co-ordinate, or place in reciprocal relation, the existing services because of the widely divergent intermediate territory served by the existing through trains and through equipment on each of the three lines between Montreal and Boston.

Action Recommended

DISSENT REPORT

C.P.R. Section Joint Co-operative Committee.—The Canadian Pacific Section considers that if conditions should so change in the United States as to warrant the Federal Co-ordinator of Transportation approving of pooling the United States portion of the Montreal-Boston passenger train services of the Canadian Pacific and Canadian National, pooling of these services should be reviewed. It also considers that if it becomes possible to base the Montreal-Boston passenger train services of the Canadian Pacific and Canadian National, and their connecting trains at Montreal, on one Station at Montreal, the pooling of these services should be reviewed, as it believes that it would be possible, under such conditions, to secure economies in these services which would warrant requesting reconsideration of the report to the Federal Co-ordinator of Transportation.

C.N.R. Section Joint Co-Operative Committee.—The Canadian National Section considers that the feasibility of the pooling of competitive Montreal-Boston passenger train services does not turn upon use of one station at Montreal, and holds on the contrary that so far as terminal arrangements are concerned, the use of two stations at Montreal for the pooled services is quite feasible. If conditions should so change in the United States as to warrant the Federal Co-ordinator approving of pooling the U.S. portion of the services, the pooling of the Canadian portion of the services would, in the opinion of the Canadian National Section, automatically follow.

It is jointly recommended that further consideration of pooling of the Montreal-Boston passenger train services of the Canadian Pacific and the Canadian National be deferred until such time as some change in conditions will permit a satisfactory solution of the problem.

(SGND.) S. W. FAIRWEATHER, (SGND.) JOHN E. ARMSTRONG,
Chairman, Canadian National Section. Chairman, Canadian Pacific Section.
 Montreal, December 3, 1934.

EXHIBIT No. 41

Report by Mr. S. W. Fairweather submitted to Royal Commission on Railways and Transportation, 8 December, 1931, re possibilities of co-operative use of facilities as between C.N. and C.P. Rys., and proposal for creation of budgeting and planning commission.

WESTERN Tour,
 EN ROUTE, Ottawa-Vancouver,

TUESDAY, December 8, 1931.

TRAIN CONFERENCE

Following his presentation of the economic possibilities of consolidation of the Canadian National and the Canadian Pacific properties and services, Mr. Fairweather read to the Commissioners the following study he had made for Sir Henry Thornton, about November 30th last, of the possibilities of co-operative use of facilities as between the two companies. At the conclusion of his paper, Mr. Fairweather expressed the belief that economies of at least \$35,000,000 (out of a total combined expenditure of \$650,000,000) could be achieved, while at the same time, preserving a helpful measure of competition. Mr. Fairweather's paper follows:

The Canadian railway problem, serious as it appears, should be viewed in the proper perspective. Despite the troubles which presently afflict them, the railways of Canada continue now, as in the past, to furnish transportation as

low in cost and as high in quality as anywhere in the world. This record, when viewed in the perspective of low traffic density, as well as climatic and economic handicaps, indicates that there can be little wrong with them in an organic sense. Canada is a country of magnificent distances. Cheap transportation is a vital requirement, and Canada enjoys at the present time practically the cheapest way of transportation in the world. The fact that railway rates fail to adequately provide for interest on invested capital in these abnormal times is a situation common to practically all railways on this continent, and is not at all peculiar to Canada. The further fact that the capital structure of the Canadian National Railways has embalmed within it all the mistakes of prior managements, which, in the normal course of events, could have been sloughed off by receiverships, as has been done in other countries, seriously distorts the financial results, and therefore presents a false picture of the operations.

The chief factors in the present railway problem of Canada are:—

- (a) The present world-wide depression.
- (b) Too great an expansion of railway construction in recent years.
- (c) The presence of subsidized competitive water transport.
- (d) The growing importance of highway transport and its tendency towards uneconomic competition with the railways.
- (e) An over emphasis upon the quality of passenger and hotel services.
- (f) An archaic rate structure complicated with statutory fixed rates.

The pressure exerted by the present long continued and world-wide depression has served to bring forcibly to attention the weakness of Canadian railways. Their strength in continuing to furnish adequate and extremely cheap transportation is apt to be overlooked. This is a basic fact of which all Canadians should be proud. It is, however, true that railway transport in Canada has been made more expensive than necessary by a too rapid expansion of railway building, in some cases directly competitive, and by unwise competition in passenger traffic hotel services, which are notoriously unprofitable.

In the present economic crisis, it is doubly necessary that Canada should keep her basic transportation costs to a minimum, and there is, therefore, good justification for examining the present situation to see what can be accomplished. The capital invested in railway construction and facilities must be viewed as expended. The money has been spent, and it cannot be recalled, and therefore attention should be directed to ensuring the maximum of operating economy. In this score, consolidation of the Canadian National and Canadian Pacific railways into one operating unit would, on the surface, appear to be the best way of accomplishing this, since at one stroke all forms of wasteful competition could be immediately eliminated. A preliminary study has been made of the full effect of consolidation, and it appears as if a saving of fifty millions of dollars per year might be accomplished. This is a large sum, but again it is well to view it in the perspective of the whole problem.

The total cost of rail transportation in Canada is about five hundred million dollars per year, and the prospective saving is, therefore, ten per cent, but the total transportation bill of Canada, including railway, road and water transport, is close to one billion, seven hundred and fifty million dollars per year, and viewed in this perspective, the fifty million dollars per year on railway transportation account is less than three per cent. It might well be asked whether for an economy of three per cent of Canada's transport bill, it would be desirable to place the destiny of the railways in the hands of a monopoly with the attendant danger of inefficiency, lack of initiative, and "the public be damned" attitude, which would naturally follow, and when to this is added the danger of creating a large body of electors with a common interest, it is quite probable that greater problems would be created than those which would be solved.

On the other hand, it would appear as if the major factor which has produced such adequate and low cost transportation in Canada has arisen from the competition between the railway systems. Canada is quite unique among the countries of the world in having two interlacing railway systems serving competitively every important centre in the country. Canada has enjoyed the full measure of the benefits of competition, and if on the passenger and hotel side it has led to unwise expenditure with emphasis upon luxurious service, it is none the less true that on the freight traffic side it has provided a high standard of service at extremely low cost.

The most logical solution of the problem would be to preserve the spirit of competition in the field where it has proved so effective and to eliminate it in the field where it has proved pernicious. Add to this general principle the co-operative use of facilities where competition is not disturbed and costs can be reduced, and the result will be that practically all of the benefits of consolidation will have been achieved, without the risks attendant upon monopoly. These principles might be applied somewhat as follows:—

Passenger Service

Organize a passenger transport company to handle all passenger business of the Canadian National and Canadian Pacific Railways. This company would own all passenger train car equipment and station facilities used exclusively for passenger business. It would determine the quality and quantity of service, and would carry on the necessary advertising, and would issue and sell tickets. Each railway would be reimbursed in bonds for property turned over to the new company and would be paid for the transport of cars at a figure as near the actual cost as could be arrived at, the total car mileage being equally divided between each system. The profit or loss at the end of the year would be divided equally. This proposal has the advantage of completely eliminating the destructive competition in passenger service. The public would be protected against unfair service on account of highway and air transport, and in trans-continental service by competition afforded by United States railways.

Pacific Coast Steamships

As an outgrowth of passenger traffic, each railway system owns and operates a fleet of passenger vessels on the Pacific Coast. It is suggested that these services be consolidated into a holding company in a similar manner to that provided for passenger train equipment, and that this holding company should be a subsidiary of the passenger transport company. A careful survey would probably indicate that a number of the boats should be disposed of.

Hotel Service

As in the case of passenger traffic, competition between the two railways has led to an over emphasis upon quality of service, with the result that the investments in hotels are largely unremunerative. It is suggested that a hotel company be organized to consolidate the hotel activities of both hotel systems; that drastic economies be put into effect, and that, when a favourable opportunity presents, the investment of the railway in hotels be liquidated.

Telegraphs

Each railway system owns and operates a telegraph system. This was a natural outgrowth of the necessity of a telegraph for railway operation in a country so sparsely settled that a telegraph company as such could not afford to operate. The commercial activities grew up as a side line, and from that point of view were and still are profitable. While economies from a consolidation would not amount to anything substantial in money, it is true that both telegraph systems are experiencing keen competition from the Bell Telephone Company and since no competitive principle is sacrificed, it is recommended that the

telegraph services be consolidated, with a view to meeting most effectively the competition of the Bell Telephone Company.

Express Service

It might be anticipated that what has been said on passenger service would apply to the express service, especially in view of the consolidation of express services in the United States. The express service in Canada is in reality a specialized high speed freight service, and in all probability will be the most effective weapon of the railways in meeting highway competition. It would appear unwise to consolidate the express services without a consolidation of the freight services, and the latter has already been disposed of as an unwise step.

Freight Service

Although the consolidation of freight services would be unwise, no opportunity for economy through co-operation should be overlooked, and there are a number of instances where co-operation would effect substantial economies. Some of these are:—

- (a) Make all freight terminals at the larger centres joint facilities. Among those might be mentioned are Montreal, Toronto, the Lakehead, Winnipeg, Saskatoon, and Vancouver. It is not contemplated that separate companies be organized, but simply that each terminal be a joint facility under a joint superintendent, and that the terminal equipment and facilities be pooled. In addition to permitting a fairly substantial immediate economy, the public would receive a benefit in that inter-switching would be universal, and the full service of either railway system would be available, instead of as at present be limited by inter-switching at exclusive zones. A further large economy would be possible by the application of capital for the construction of really efficient terminals. Money so invested would yield a return of at least twenty-five per cent per annum.
- (b) Make an arrangement for the blanket waybilling of traffic of each railway over the other where an economy would result, each railway to retain the gross revenue of its own traffic and settlement for service to be made through the medium of a clearing house, dealing in equated gross ton miles,—balances to be worked out in service or adjusted in cash. There are certain sections in Canada where the application of this principle would result in substantial economies by avoiding an out of line haul to retain gross revenue, or the hauling of traffic over an inferior parallel line for the same purpose. In periods of traffic congestion, the system of blanketing the traffic would also afford considerable relief.
- (c) Provide for joint operation over lines where duplication exists, thereby permitting a substantial reduction in service on, or the complete abandonment of, the other lines.
- (d) Establish an arrangement for the interchange of locomotives and car equipment designed to minimize empty car mileage and foreign car per diem payments and investment in locomotive equipment.
- (e) Among other minor items are:—
 1. Co-operation in the lake and rail business. The Canadian National to use the Canadian Pacific boats between lower lake points and the lake-head, and the Canadian Pacific to use the Canada Atlantic Transit Company to United States points.
 2. Abolition of affiliation with Car Consolidating Companies and the strict limitation of the practice of the tariff requirements.
3. Co-operation in interchange of traffic with foreign lines.
4. Some reduction in competitive service on parallel branch lines serving the same territory might be effected.

Miscellaneous.

Other opportunities for substantial economy would result from co-operation in advertising, especially the use of the radio, and in the activities of certain departments which are more properly governmental than railway in scope, such as Natural Resources, Colonization, Agriculture and Immigration. These departments might well either be consolidated or completely abolished and their activities absorbed by government departments.

Properly carried out, the above suggestions would result in very substantial economies, approximating those which might theoretically result from complete consolidation without the attendant dangers of monopoly. To round out the situation, however, it is necessary to deal constructively with highway and water transport. Water transport on a subsidized basis has been very active in Canada and is to a considerable extent directly competitive with railways. Vast amounts of money have been expended upon canals, channel improvements, and harbour facilities, and those facilities are in general made available without a specific charge on the traffic, the cost being absorbed in the general tax rate. Water transport will be further intensified when and as the great waterways are constructed. Although not a present pressing problem, in that it has been a continuing factor, the equity of this competition must be fairly questioned.

Highway transport is a new development and the full scope of its activity in an economic sense has not yet been determined. It would appear, however, from basic considerations, that as a passenger facility highway transport is a logical competitor of the railway for any distance, but that as a freight transport medium its economic scope is limited to a distance of approximately fifty miles, beyond which distance the use of the highway is uneconomic as compared with the railway. Some effective control should be instituted limiting highway transport to its proper economic sphere. As a start, taxation sufficient to pay for the wear and tear on the highways and to compensate for the use of public property for private gain should be instituted. The general level of commercial vehicle taxation in Canada is far too low and does not pay more than a fraction of the cost incurred. The highway problem of Canada is in point of fact a larger problem than the railway and merits most careful study.

Canada has consistently failed to pay her transport bill. The history of Canadian railways has been a history of an attempt on the part of the governments to evade facing economic laws. Subsidies, land grants, and guarantee of securities have been employed freely to encourage railway building and to form a justification for a system of extremely low, and in some cases statutory, fixed rates on basic commodities. This policy, in a broad way, could only be effective so long as the development of natural resources proceeded at a rapid pace, and in point of fact, no small portion of railway revenue has in the past been drawn from the capital invested in railway development itself, and from capital investments incident to the development of natural resources as distinct from the production of basic commodities resulting from that development. This being the case periods of business depression bear with particular force upon Canadian railways and serve to emphasize the fact that in the long run economic laws must be obeyed. The cost of transport must be met somehow and the failure to provide a rate structure adequate to pay for that cost can result in nothing except a situation in which private capital invested in railways must either be wiped out or be protected by general taxation. The situation calls for a courageous facing of facts, provision of rates high enough to pay the cost of service; equitably distributed and free from statutory limitations, permitting of adjustment to meet changing conditions together with control of competitive highway services to their economic sphere.

Finally, too much reliance must not be placed in any lesson taught by the present depression. As soon as times improve, public demands for additional

railway construction will recur, and the railways in themselves would find it very hard to resist the pressure even if they were inclined to do so, and in like manner, co-operation between the railways forced upon them by pressure of events would not continue in hearty degree once that pressure was removed. There would seem to be a real need in Canada, dependent as she is upon the lowest possible transportation cost, for the creation of a budgeting and planning commission whose function would consist of determining the advisability of railway extension and without whose approval no railway charter could be secured or public financing be done for railway purposes. This body might also be charged with the enforcement of co-operative economies such as those outlined above and should be empowered to control uneconomic competition wherever it is found. The problem so far as it relates specifically to the railways, should be fairly easy to accomplish, although it would involve the restriction of provincial and federal legislative powers. The suggested commission would be substantially a technical commission. It might consist of five members; a chairman appointed by the Federal government; a member nominated by the universities of Canada; the president of the Canadian Pacific railway; the President of the Canadian National Railways, and the Deputy Minister of Railways and Canals. The enlargement of its scope to cover uneconomic highway transport would be a matter of great difficulty, and its activities in that regard would probably be advisory only.

EXHIBIT No. 42.

Submission to Royal Commission on Railways and Transportation by Mr. W. Fairweather on consolidation of C.P. and C.N. Rys. (Not printed.)

1938
THE SENATE OF CANADA



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 8

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESS

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian
National Railways.

EXHIBIT

No. 43. C.P.R. proposal for line abandonment—mileage common to C.N.R. and
P.R.—to Royal Commission on Transportation, 1932.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1938

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Gaham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Prent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, May 12, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.45 a.m.

Right Hon. George P. Graham, and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

Hon. Mr. PARENT: Mr. Chairman, before Mr. Biggar proceeds with his examination, I ask your permission to put a few questions to Mr. Fairweather. I presume he has before him the report of the Royal Commission on Transportation?

Right Hon. Mr. MEIGHEN: May I say a word first? I intended to speak to the leader, Senator Dandurand, about this. I am getting afraid that we may run into very heavy and unnecessary printing expenses here, and I suggest that we keep in mind the cost of printing, particularly with regard to exhibits. It seems to me that a lot of these exhibits do not need to be printed at all. I have had some experience of being shocked with printing costs. I know the leader of the Government is just as much concerned as I am.

Hon. Mr. DANDURAND: We may then keep that in mind.

Right Hon. Mr. MEIGHEN: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): We have a lot of exhibits to be dealt with Mr. Fairweather's report.

Right Hon. Mr. MEIGHEN: That is all right. You do not need to print all that.

Hon. Mr. PARENT: I may assure my right honourable friend that it is not my intention to load the record with anything that is not relevant.

Right Hon. Mr. MEIGHEN: Of course not.

S. W. FAIRWEATHER (Examination resumed):

By Hon. Mr. Parent:

Q. Mr. Fairweather, you must have before you the report of the Royal Commission. At page 40, under the heading Traffic Densities, there are certain ton mileage figures. Will you look over those and answer one or two questions which I desire to put to you? You will find these words—

Hon. Mr. CALDER: What paragraph?

By Hon. Mr. Parent:

Q. Paragraph 100, under the heading Traffic Densities, page 40 of the report. Here you will find these words:—

We find that the volume of traffic of Canadian Railways is distributed as follows: 12 per cent over the lines east of Levis, 60 per cent in Quebec and Ontario, 4½ per cent north of the Great Lakes— and so on. Then you will see the following:—

The ton mileage of these same five zones is: Lines east of Levis— 6.73 per cent.

I should like to know why you call those "lines east of Levis" and do not mention the Maritime Provinces at all? After you have explained that I will ask you a few more questions, which will not take very long.—A. May I hear that question again, sir? I do not think I got it correctly.

Q. You put Ontario and Quebec together, but when it comes to the Maritime Provinces you start from Levis, including, I would say, at least 800 miles in the province of Quebec. I should like to know if it is fair either to the Maritime Provinces or to the province of Quebec to switch part of lines that are situated in that province and put them into the Maritime Provinces, when on traffic densities you do not find the Maritime Provinces mentioned at all?—A. Well, sir, you will understand—

Q. Not yet.—A. —that this classification is not a classification that I have anything to do with as a classification. This is something that the Royal Commission classified the lines as under the direction of Mr. Loree. The report of the Commission refers to Mr. Loree having made this particular study. He asked the Canadian National to classify its lines and the ton mileage for them which we did. That is all I can say, sir.

By Hon. Mr. Black:

Q. Is not the explanation that Levis is the divisional point?—A. Levis is a divisional point.

Q. And is not that what you might call the terminal of the old Intercolonial Railway?—A. No.

Q. That was the natural division?—A. No. The terminal of the old Intercolonial was in Montreal.

By Hon. Mr. Parent:

Q. You say Mr. Loree made those recommendations to the Royal Commission. Undoubtedly you are aware that the figures mentioned by Mr. Loree have been mentioned by the Canadian National Railways. You must have had a word to say so far as this division of lines is concerned?—A. No, sir. So far as this classification is concerned, we have had nothing to say about it.

Q. Why do you put Ontario and Quebec together as bigger than the rest of the country?—A. But, sir, we did not do it.

Q. If you did not do it, why did you not do it?—A. May I explain this? Mr. Loree asked for certain data. We furnished that data. The first time we ever saw this classification was when the Royal Commission report was issued.

Q. I will put my question another way. If you start from Levis the territory between there and Matapedia is entirely in the province of Quebec?—A. Yes, sir.

Q. And Matapedia is twelve miles from Campbellton, which is in New Brunswick; is that correct?—A. Yes, sir.

Q. Now, is the traffic between Levis and Matapedia attributable to the province of Quebec or to the Maritime Provinces?—A. Well, sir, I could not say.

Q. Who knows if you do not know?—A. I could not say. This is a classification which the Royal Commission made, and they used the "lines east of Levis" as a heading.

By Hon. Mr. Hugessen:

Q. Would not the real reason be that they used the phrase "lines east of Levis" because that was the section of lines covered by the special arrangements for Maritime Provinces rates?

[Mr. S. W. Fairweather.]

By Hon. Mr. Parent:

Q. Under the Duncan Report, no. If it were from the Duncan Report it would be another question. But for the moment we have one of the strongest officers of the Canadian National Railways, who is in charge of the Bureau of Economics, and who consequently advises. You told us yesterday you advised Sir Henry Thornton as far as a line was concerned in the Rouyn district. I cannot imagine why when considering the province of Quebec you start from Levis and when the rest of the province is concerned you take Ontario and Quebec together. Of course, together they look very big and important. Apparently you forget all about the Maritime Provinces; neither Nova Scotia, Prince Edward Island, nor New Brunswick is mentioned. I cannot understand that part of it, and, if you have time, I should like you to give a little attention to that point, so that we may know where we are at.

By Hon. Mr. Calder:

Q. May I ask a question on this? In connection with your own business, keeping your records so far as freight, passengers, and everything of that kind is concerned, do you use provincial boundaries as the basis for those records?—A. Oh, no, sir.

Q. Why not?—A. There would be no good purpose served by doing that that I can think of.

Q. Would it be the other way about, would it be a bad purpose?—A. I can certainly say there would be no good purpose, sir.

Q. Your classification, I judge, would depend upon the layout of your railway, where your divisional points are fixed, and so on, disregarding provincial boundaries?—A. Quite right, sir. The Atlantic Region runs into Quebec.

By Hon. Mr. Black:

Q. Where is the dividing line?—A. The dividing line of the Atlantic Region is Rivière du Loup and Diamond. With regard to the Central Region, it ends at Lake Head and Armstrong.

By Hon. Mr. Calder:

Q. Then you throw part of Ontario— —A. Into the Western Region; and part of Quebec is thrown into the Atlantic Region. That is, the Central Region so far as the Canadian National is concerned comprises portions of Ontario and portions of Quebec.

Q. Now take the Pacific Region?—A. The Western Region comprises the provinces of British Columbia, Alberta, Saskatchewan, Manitoba and part of Ontario.

Q. That is all one region?—A. That is all one region. We make no attempt to break that down into provinces.

By the Chairman (Right Hon. Mr. Graham):

Q. You describe that for the purposes of railway operation?—A. Yes, sir.

Q. You do not divide your territory into provinces, but take Canada as whole for railway operations?—A. That is right.

Q. This district comprises so much territory, no matter where it is, and with the other regions?—A. Yes.

By Hon. Mr. Parent:

Q. If that is the case, when you consider the mileage in Quebec apparently you do not include the mileage from Levis to Matapedia. Why is that?

Mr. BIGGAR: Senator, I have just got some information which may meet our inquiry.

Hon. Mr. PARENT: You can proceed with your own examination.

Mr. BIGGAR: Just on that point, Senator Parent, Mr. Yates tells me that this classification was set up by Commissioner Loree himself, that it was he who laid down the basis of the classification, and that he probably used it because that was the area included in the special arrangement under the Maritime freight rates legislation, and consequently figures were available for it.

By the Chairman (Hon. Mr. Beaubien):

Q. In connection with what, I think you called, the perpetration of a railway crime in the Rouyn district, will you tell me why the province of Quebec justified the granting or the attempt to grant a charter to penetrate into that district where you had built your line?

Hon. Mr. MORAUD: Do you think that is fair to the witness?

The CHAIRMAN (Hon. Mr. Beaubien): Certainly.

Hon. Mr. MURDOCK: How can he speak of that?

Hon. Mr. MORAUD: How can the witness justify the action of the province of Quebec?

Hon. Mr. ROBINSON: Can he say what was in the mind of the Legislature of Quebec?

The CHAIRMAN (Hon. Mr. Beaubien): Just a second.

Hon. Mr. PARENT: Perhaps that question can be better answered by the C.P.R. representatives who appeared before the legislature to justify the line.

By the Chairman (Hon. Mr. Beaubien):

Q. Rouyn is in the province of Quebec, and is now producing quite a lot of traffic: is that right, Mr. Fairweather?—A. Yes, sir.

Q. And it all goes to Toronto: that is correct?—A. No, that is not correct.

Q. Does it not all go by the T. & N.O.?—A. No.

Q. It did not before?—A. No, it did not.

Q. How did it go?—A. The majority of the business handled by the Canadian National Railways in that territory travelled over the Transcontinental Railway. That is the point that was made perfectly plain, otherwise if it were travelling over the T. & N.O., why would the Canadian National be so concerned at the invasion? We had train service on the National Transcontinentals which was supplying that territory in there, and as the business in that whole mineralized belt increased we had to improve that train service, and we did improve it.

By Hon. Mr. Tanner:

Q. That is from Quebec?—A. Yes, sir. The route of the Canadian National into that territory is up from here, from Quebec.

By Hon. Mr. Parent:

Q. You do not mean from Quebec city, you mean from the province of Quebec?

By Hon. Mr. Moraud:

Q. From Quebec and Montreal?—A. From Montreal along our line to Harvey Junction. Then you come from Quebec over the Harvey Junction, down to Sherbrooke and up that way into Quebec. Then from there over Harvey Junction. The traffic in that whole territory moves on the N.T.R. over to Amos to feed the centres there—at least it was before the branch line was built—the traffic being transhipped by water or, if it was going into the other territory, it moved down through Taschereau and down the branch lines.

[Mr. S. W. Fairweather.]

Now, that is not to say that some traffic did not move by the T. & N.O.; but I will say this, that not one pound of traffic moved by the T. & N.O. that the Canadian National Railways could route the other way.

By the Chairman (Hon. Mr. Beaubien):

Q. Then could you state roughly to us what proportion of the trade of Rouyn now goes to your line, and what to the T. & N.O.?—A. I could not say that.

Q. About half one way and half the other?—A. I think we get more than half. I am quite certain we get more than half of it.

The CHAIRMAN (Right Hon. Mr. Graham): You will probably remember that there was quite a good deal of difficulty about the T. & N.O. getting into that territory at all. It did not get in through its own charter, but through a charter which it leased or bought to build a connection with the T. & N.O. There was a little excitement between the federal and provincial authorities as to the right of the T.N.O. to go into that district in the province of Quebec.

The WITNESS: And may I say, sir, that by the infiltration into that territory the T. & N.O. got in as far as Rouyn, but Rouyn is only a small fraction of that development. There are developments up our branch line from Rouyn to Taschereau where there are spurs running off to large mines in that territory, and to the best of our ability we use the Canadian National routing to supply all that territory.

By Hon. Mr. Dandurand:

Q. That would be your interest?—A. That is our interest, yes, sir.

By the Chairman (Hon. Mr. Beaubien):

Q. But that was the cause, after all, of the whole trouble in the Rouyn district, was it not? There was on the one side the province of Quebec thinking, rightly or wrongly, that it could divert more traffic by granting a new charter, and on the other side, I suppose, your company contending that that was not necessary?—A. I can say that the Canadian National certainly thought it was not necessary, but that it was an economic crime. And so far as the allegation made that the Canadian National Railways was a party to any degree to a route which attracted traffic away from the province of Quebec, we demonstrated by figures that the tonnage moved in and out on the Canadian National through Harvey Junction was by far the biggest part of the business. We demonstrated that on the figures and did it time and again.

By Hon. Mr. Hugessen:

Q. What is the cost of this additional line you are now constructing, this loop line?—A. This line that was built rather in advance of requirements?

Q. Yes?—A. It would be somewhere—

Hon. Mr. GORDON: You do not mean the branch from Taschereau into Oranda?

Hon. Mr. HUGESSEN: No.

The WITNESS: From Senneterre to Rouyn. The authority we asked from Parliament was about \$6,000,000. That is \$60,000 a mile, and the Chief Engineer of Construction informs me that the line when constructed will be within the estimate.

By Hon. Mr. Hugessen:

Q. And your contention is that that expenditure would have been unnecessary had it not been for the attempt of the C.P.R. to get into that territory?—A. It was built in advance of the requirements. I do not say it would not be

ultimately necessary. You have there a large mineral belt. You may have there a major mineral development of this country. You already have several producing mines that are far from small, and if the future is as good as the past it will be a very large thing.

It is quite obvious that you could not have a development of that kind or a large scale with the relatively inadequate facilities of water transport. Therefore this line would have been built at some time. We had a pre-knowledge of that. We took charter rights at the time we built the Taschereau-Rouyn line, and build along the mineralized belt; but we wanted to be sure where it should be placed, and also that it was to a point where the line could be reasonably justified. What I was trying to make plain was that the attempted invasion accelerated a capital expenditure.

Q. And it had the further effect on your mind of making it doubtful to what extent you could expect future co-operation from the Canadian Pacific?—A. I just ask you to consider the circumstances. Here I am, the Director of the Bureau of Economics of the Canadian National, and Chairman of the C.N. section of the Joint Co-operative Committee, expected to sit down, under the direction of our Joint Executive Committee, and to co-operate with the C.P.R. At the same time, in my capacity as Director of Economics, I am in a regular knock down and drag out fight to protect the interests of the Canadian National Railways from an unwarranted invasion in this territory. If that is not the antithesis of the principle which underlay the Canadian National-Canadian Pacific Act, I do not know what is. Quite frankly, if you want to have an explanation of the general situation with regard to co-operation, there you have it. Here I was in a double capacity, fighting the Canadian Pacific and expected to sit down and develop economies resulting from what?—for the most part resulting from just such insane actions as this in the past.

By Mr. Biggar:

Q. Mr. Fairweather, you were going to deal with those lines that parallel one another. Following what was said last night, have you got a list of those?—A. Yes, sir.

By Hon. Mr. Dandurand:

Q. You said, Mr. Fairweather, that you had been asked by the Royal Commission to examine into the possibility of an abandonment of 5,000 miles. Did you study that question, and did you report to the Royal Commission?—A. Yes, sir, I did. In conference with the Royal Commission they requested that the Canadian National, and myself in particular, along with the Chief Engineer of Construction, examine and comment upon a program of some thousand miles of line abandonment which they said they had before them. The data was sent to me by Mr. Moxon, the Secretary of the Royal Commission. That was some time early in 1932.

On April 21, 1932, I joined with Mr. Gzowski, the Chief Engineer of Construction, in a letter which was a summary review of the situation, and I think, perhaps, as an introduction to this matter, it would be informative if I read that letter. It is addressed to: Mr. Arthur Moxon, K.C., Secretary, Royal Commission on Railways and Transportation, Ottawa, Ont.

Q. That is signed by whom?—A. By myself and Mr. Gzowski.

DEAR SIR,—

In accordance with the request of the Royal Commission, we have reviewed the proposals of the Canadian Pacific Railway for track abandonments, as outlined in their Exhibit "A" filed with the Commission. You will appreciate the impossibility of arriving quickly at a definite conclusion with regard to a program of abandonments as extensive as this, either in gross or in detail. All that can be done at this time is to express

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our views in general terms, based upon a detailed knowledge of our own lines and a general knowledge of the Canadian Pacific lines. It is easy to sit down before a map and delete railway lines on a wholesale scale, but difficulties quickly crop up when consideration is given to the economic aspect of the problem, not only from the narrow financial outlook of the railway, but also as regards the productive economy of the nation. In point of fact, each line proposed for abandonment raises individual problems and requires special investigation. The Canadian National presented to the Commission a tentative program of abandonments much less extensive than that put forward by the Canadian Pacific. We look upon our program as drastic and difficult of realization. After a review of the Canadian Pacific program it is our opinion that many of their proposed abandonments could not be justified. We feel that the justification of any program of abandonment must rest upon three broad premises:

1st—the abandonment must be of such a nature that from the railway operating standpoint an immediate economy would result.

2nd—the abandonment must be of such a nature that it would not damage the efficient functioning of the transportation machine as a whole.

3rd—that the line proposed for abandonment does not to a substantial degree furnish essential transportation to communities or industries, “essential” being used in the sense that highway transport could not efficiently replace the railway.

The more detailed views of the Canadian National with regard to these remises were placed before the Commission by Sir Henry Thornton by letter dated February 16, 1932, and the tentative program of abandonments submitted to the Commission by the Canadian National is in accordance with them.

An analysis of the Canadian Pacific program indicates that the main differences between it and the Canadian National program in our judgment arise out of the violation by the Canadian Pacific of one or more of these fundamental remises, which in our opinion constitute the only possible justification for abandonment. This violation may have arisen from lack of information, from inadequate treatment of the data or from a rejection by the Canadian Pacific of the premises.

A comparison of the two programs is as follows:—

	C.P.R.	C.N.R.
Total mileage of programs	5,051	2,434
Mileage common to both programs	2,098	2,098
	<hr/>	<hr/>
Differences	2,953	336

That is, there were 2,953 miles of line included in the Canadian Pacific proposal which were not incorporated in any Canadian National proposal, and 336 miles of line in the Canadian National program which were not incorporated in the Canadian Pacific proposal.

*Explanation of Mileage Appearing in Canadian National Program
but not in Canadian Pacific Program*

C.N.R. thin traffic branch lines.....	150
Mileage of duplicating lines, abandonment not approved by C.P.R.	186
	<hr/>
Total.....	336

*Explanation of Mileage Appearing in Canadian Pacific Program
but not in Canadian National Program*

C.P.R. thin traffic branch lines.....	507
Lines which violate C.N.R. premises.....	2,446
Total.....	<hr/> 2,953 <hr/>

To make it perfectly clear, here were 507 miles of thin traffic branch lines of the Canadian Pacific, and we were not in a position to know whether they violated our premises or not.

By Hon. Mr. Calder:

Q. You did not know their principles?—A. We did not know their lines in detail, we did not know the conditions. But with regard to the lines that we did know something about, 2,446 miles, it was our opinion that we could not justify them under the three premises that we laid down.

Q. All the C.N.R. lines?—A. No, some of them were C.N. and some C.P. There were 2,446 miles of line which the Canadian Pacific said should be abandoned, and we set up these three tests of whether a line should be abandoned and we could not justify those 2,446 miles under those premises. Now with regard to the other mileage, 507 miles, they were thin traffic branch lines of the Canadian Pacific where we did not have the detailed knowledge to say whether or not they were justified. It may be perhaps indicative, that of those 507 miles included in that list—although this was some five years ago—the Canadian Pacific, I think, applied for about 100 miles to the Board of Railway Commissioners, and they got permission to abandon 50 out of that 507. They apparently changed their minds about abandoning some 400 miles and then applied for permission to abandon 100 miles and got permission to abandon 50. Of course, I have not detailed knowledge of that.

Now, resuming the letter:—

One may assume that each railway has accurate information with regard to its own thin traffic branch lines, consequently the omission by the Canadian Pacific of 150 miles of Canadian National lines of this character and by the Canadian National of 507 miles of Canadian Pacific lines arises from a lack of detail information. Incidentally, it might be pointed out that the abandonment of lines of this character has no bearing upon a policy either of consolidation or of co-operation, since the lines in question serve non-competitive territory. Generally speaking, the reason these lines have not already been abandoned is that public opinion in favour of their retention has been too strong and also that in some cases embarrassing contractual obligations exist.

The 186 miles of duplicating mileage included in the Canadian National program, but excluded from the Canadian Pacific, are found upon examination to be made up of a large number of detail differences, none of which is individually of sufficient importance to require explanation.

That is, they were made up of little bits of things here and there.

The fundamental difference in the two programs lies in the inclusion by the Canadian Pacific of 2,446 miles, with regard to most of which the Canadian National cannot agree because the factual data regarding these lines shows that abandonment would have a detrimental effect upon the railways and upon the productive economy of the country.

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These abandonments will not, in point of fact, stand the test of the Canadian National premises. A few outstanding examples will be given.

The Canadian Pacific propose the abandonment of the Canadian Pacific main line from Kamloops to Hope and of the Canadian National main line from Hope to Port Mann, a total distance of 242 miles (proposals 79 and 80). These abandonments were evidently suggested by the frequently heard criticism of the operation of duplicating lines through the Rocky Mountains within a stone's throw of each other. The fact of the matter is that if the abandonments as suggested were carried out, the freight and passenger traffic during the peak months of the year could not be carried by the remaining single track line; also a single track line through the Fraser and Thompson Canyons would expose transcontinental traffic to the risk of interruption with no possibility of an alternative detour route in Canada. The risk of such interruption is by no means slight; both the Canadian National and the Canadian Pacific Railways have frequently found it necessary to detour over the other's track. The common-sense treatment of these lines is to concentrate passenger train movement on the Canadian Pacific and freight movement on the Canadian National. Below Hope it would be possible to concentrate all through traffic on the Canadian Pacific line,, but the Canadian National line on the other side of the river would in our opinion have to be retained as a branch line.

I might also say at this point, as a further explanation of that particular thing, that we get a handsome little revenue from the Great Northern for running rights over that line, which they have never exercised—at least, which they have discontinued exercising. It is a heritage of the time when the Great Northern thought they were going to come up into Canada, and they recuted a perpetual running rights agreement. The revenue that we get from that running rights agreement more than justifies the retention of the main line in itself. That again is a little interjection.

By Mr. Hardy:

Q. Would you tell us how much that is?—A. I do not think it is proper to say that, sir. But it is a very substantial sum of money.

By Right Hon. Mr. Meighen:

Q. About how far is it from Kamloops to Hope? I cannot find it on the map.—A. It is a fairly substantial mileage.

Q. Is Hope right at the south end there?—A. No. Kamloops is where the two lines come together, up above, and then you come down the canyon, down there (indicating on map). It is about 160 miles, I think.

Q. You do not think there is any chance of carrying that plan through to Vancouver?—A. I do not think it is desirable to carry it through down as far as Hope, because from the point of view of Canada as a whole to put the whole of southern British Columbia dependent upon a single track railway through the Fraser and Thompson canyons, when you have got two at the present time, would be just plain folly, from the standpoint of the country.

Q. I think it is, myself.—A. From below Hope, while it would be possible to abandon the Canadian National line, you would be putting some hardship on the people who live south of the river; and what is perhaps of more immediate importance, you would be sacrificing a very substantial revenue from the Great Northern Railway for perpetual running rights on that line.

By Hon. Mr. Calder:

Q. You suggested that the passenger traffic might be carried on one line and the freight traffic on another line. Would there be any economy there?—A. Ultimately, I think there would be. Of course you have to look at this situation in the light of the general traffic. When traffic is at a low ebb, I do not think there would be an awful lot of economy. But if we are to visualize Canada in a situation in which the traffic of 1928 is going to return—and frankly, I am one of those who do envisage that—then there would be a very substantial economy, because in the peak months of 1928, so far as the Canadian National was concerned, we would have been very pleased to have had our passenger trains out of the way and put off by themselves. Because when you try to mix fast running passenger trains with slow running freight over a single track line, you get into a position where you lose time. If you can segregate the passenger business and put it on one side, you have almost the effect of a double-track line and you can get a great increase in capacity. So the answer is, speaking as a technical man, under present conditions I do not think the economy would be very large. And that is why, you will remember, I qualified my \$10,000,000 economy statement: I said that when traffic got increasing that \$10,000,000 would grow. Now, here is an illustration of it. When traffic got large, an apportionment of the traffic between those lines would, in my humble opinion, result in an economy.

By Hon. Mr. Buchanan:

Q. You do not mean to segregate freight traffic between Kamloops and Hope?—A. Yes.

Q. You would still carry freight on the other line?—A. No. My thought would be this, that when you get to a point where the capacity of the line is in question, and when an economy is to be obtained, then you can put the passenger business on the Canadian Pacific line and move the Canadian Pacific freight over the Canadian National line, along with Canadian National freight.

By Hon. Mr. Robinson:

Q. That would be just from Kamloops to Vancouver?—A. Yes.

By Right Hon. Mr. Meighen:

Q. Of course, that is a territory where you do not anticipate very serious bus competition?—A. No, not up that Fraser canyon. The Fraser and Thompson canyons were just put there—

Q. To protect the railway companies?

By Hon. Mr. Calder:

Q. There is very little population between those points?—A. Practically none.

Q. And there is no local freight at all between those two points?—A. Almost none.

The WITNESS: Shall I go on reading the letter? It continues:—

Another instance, this time of an abandonment detrimental both to the railway and to the country, is to be found in proposals Nos. 41 and 43 taken in conjunction with proposal No. 44. It will be seen that by these proposals the Canadian Pacific would throw all railway communication between eastern and western Canada on one single track line between Port Arthur and Nipigon. Across this throat must pass not only the interchange of commodities between the east and west, but also a interchange of equipment which is shifted in accordance with the demand of seasonal traffic. It is true that the Canadian Pacific has chosen for

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retention the Canadian National line between Port Arthur and Nipigon, which has more favourable gradients than their own line, but the C.N.R. line if worked to capacity, could not handle the peak traffic, in a peak year.

Those words "in a peak year" are inserted.

Again, east of Nipigon, unless a portion of the traffic was sent via the roundabout route through Long Lac, Nakina and the National Transcontinental, there would be extreme difficulty in handling it, since the Canadian Pacific line between Nipigon and Sudbury suffers from heavy gradients and sharp curvature. Just why the Canadian Pacific chose to retain this line rather than the Canadian Northern line between Sudbury and Nipigon is incomprehensible.

The relative operating costs between common points stand in the relation of 100 for the Canadian Northern line to 121 for the Canadian Pacific line, and an annual saving of \$465,000 per year is indicated if the Canadian Pacific through freight traffic were routed over the Canadian Northern line. In addition, the Canadian Pacific line runs through a territory practically devoid of natural resources, whereas the Canadian Northern line taps a country comparatively rich in forest products and has station earnings of \$1,100,000 per year with a gross wealth production tributary to it of not less than \$4,500,000 per year.

By Mr. Biggar:

Q. I think, Mr. Fairweather, you skipped the paragraph on top of page 4.—Yes, I did. I am extremely sorry. I got into a discussion and overlooked. We will put it in now?

Q. Yes.—A. This is the paragraph:—

An instance of a different character where a proposed abandonment by the Canadian Pacific would press severely upon the development of Canada is to be found in their project No. 81, the abandonment of the Canadian National belt line on Lulu Island. This line was designated by the Canadian National to fulfill three requirements: 1st to make available a suitable area for the lumber mills which must in the near future leave the False Creek area; 2nd to make available cheap industrial lands; 3rd to reach deep water on the Fraser River, a step considered necessary from the point of view of port development. It would be a very short-sighted policy indeed to abandon this line.

um now back—

By Hon. Mr. Haig:

Q. On the track?—A. On the track.

From the broader point of view of an efficient transportation scheme for Canada as a whole, the Canadian Pacific proposals Nos. 41 and 44 destroy the shortest and cheapest route between the industrial East and Western Canada. The Canadian National line from near Sudbury to Winnipeg via Long Lac, Nakina and Sioux Lookout, is 36 miles shorter than the Canadian Pacific, and this fact, together with the more favourable gradients which the C.N.R. line possesses, would make for a saving of 25 cents on each gross ton moved over this bridge line, as compared with the C.P.R. alternative.

I may say that that line there on the map is the Canadian Northern line running up from Capreol. (To official pointing out location on map). Up, up; p there. Now jump that gap. Now go into Winnipeg. When the Drayton-

Acworth Commission was studying the railway problem they saw a possibility by the construction of that little gap, from Long Lac to Nakina, that a through route between Eastern and Western Canada better than any which existed could be procured, and they recommend that the Long Lac cut-off be constructed. The whole effect of that would be destroyed if this particular proposal were adopted, because the National Transcontinental running from Winnipeg out as far as Nakina is an excellent low-grade line and continues on over to Quebec and Moncton. The Canadian Northern when they started the transcontinental venture headed down to Port Arthur, and then paralleled the Canadian Pacific as far as Nipigon, and then built that line up there on the map—of course, the Long Lac line was not then built—and continued along through until it came down, to Capreol. The portion of it between Long Lac and Capreol and down to Toronto fitted in admirably with the line west of Nakina to make one through route from the Ontario peninsula to Western Canada, better than anything that had existed before.

Similarly, coming down to Capreol there was a branch there of the Canadian Northern line running down through into Ottawa to Montreal, and you have there, as you see on the map, a branch starting at Capreol, one leg going to the Ontario peninsula, the other leg going to the great development in the St. Lawrence valley, coming together at Capreol, going up over the Canadian Northern line as far as Long Lac, then over the connection which the Drayton Acworth Commission recommended, and then over the National Transcontinental. That is what the abandonment which is suggested here would destroy.

By Mr. Biggar:

Q. I think you are now at the top of page 5, Moncton.—A. Thank you, did not want to make another mistake.

An example of an abandonment which would create a substantial injury to invested capital is to be found in the proposal to abandon the Canadian Northern Railway from North Bay to Capreol, part of the C.P.R. proposal No. 24. As a matter of fact, industry on this line produces station earnings of \$335,000 per year, an average of \$4,000 per mile, which of itself makes the abandonment unwise.

The proposal of the Canadian Pacific Railway to abandon the National Transcontinental from Diamond Jct. to Chipman (Proposals 5, 6 and 7)—

By Hon. Mr. Murdock:

Q. Let us see that on the map, will you?—A. Certainly.

—would destroy the shortest railway link passing through Canadian territory between the Maritime Provinces and the St. Lawrence Valley. Point that out on the map, please. Everything, as you will see on the map, going east of Moncton can move with greater economy over this line than over any other.

By Hon. Mr. Morand:

Q. That is for grain traffic?—A. All traffic. I think we handled over the line coal traffic in the neighbourhood of a quarter of a million tons from the mines down in Sydney. Please point that out on the map. It moved over the rates all rail, coming down from there, down along that line over to Moncton and then over the National Transcontinental Railway. It is only a four-ten grade in one direction and a six-tenths in another—that is the technical term for a one-pusher grade. We can handle a train on that line of three to four thousand tons with one Santa Fe locomotive. That particular line as a link between the Maritime Provinces and the rest of Canada is justifiable in every sense of the word.

Q. Do you handle much grain by that route?—A. We handle any grain going down there.

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Q. Is there any?—A. There is some.

Q. You have water competition?—A. Of course, that question of grain is a burning one with the Maritime ports. They think more should be moved down there. We are eager to handle it, although as a matter of fact we do not get very much revenue from it. If anyone comes along and gives us grain to handle down there we would be glad to handle it. That is the line there on the map. That is one of the contributions the railway makes to the development of the country.

By the Chairman (Hon. Mr. Beaubien):

Q. Has the C.P.R. any coal transportation from the Maritimes as well?—A. They have no connection except with their line through Maine, which is in part a leased line. Its trouble is that the grades are much less favourable. And to consider what would happen—as it did happen one time—if we were in a position where we had to ship stuff out of Canadian ports over Canadian railways, and we did not have the National Transcontinental, and we were barred from using the Canadian Pacific lines.

Q. That is the lower of the two red lines on the map?—A. The Intercolonial is a poor grade line, through settled country and was deliberately made long and roundabout so it could keep in contact with the British Navy. It is utterly incapable of supplying the transportation requirements of the Maritime Provinces. That is, it has not got the capacity to do it in a period of stress, and I do not know what we would have done if we had not had the National Transcontinental as a link. Our whole port fabric from 1914 on would have fallen down. We could not possibly have handled the freight.

By Right Hon. Mr. Meighen:

Q. 1914 on?—A. Yes, sir.

AN HON. SENATOR: The war years.

THE WITNESS: That is what I mean. I did not want to bring it out exactly that way. But if that line were not available you could not possibly handle through Canada the traffic which would be concentrated on those ports down there, which are highly important from a national standpoint. It would have been utterly impossible to do it.

Not only is this the shortest link in Canadian territory, but it has the greatest traffic carrying capacity of any route and is the cheapest route to all points in the Maritime Provinces east of Moncton. An analysis of this proposal has already been submitted to the Commission,—

They asked us to make a special analysis, and we did so.

—and it is unnecessary to elaborate upon it here other than to say that from the narrow railway standpoint there would be a loss of \$1,000,000 per year, and from the wider standpoint of the Nation, an annual wealth production of \$27,000,000 per year would be adversely affected.

Because not only is that line a through route, and very valuable, but starting—back to Diamond—and you take that line running up there, it runs through the good agricultural belt of the province of Quebec, it is being settled rapidly along that line of railway. Now you go further down in around that section on the map and a little further down in there, there again there is a valley which is developing, not so much in agriculture but in lumbering.

By the Chairman (Right Hon. Mr. Graham):

Q. Pulpwood?—A. Pulpwood, yes, sir. Taking it altogether, we made careful survey, and when I say a "careful survey" I mean a careful survey. We took detailed records from our station agents, details of tonnage moving, tonnage originating and tonnage terminating, and we took a census of the wealth that was there. We found that in that territory in 1931 there was \$27,000,000 of wealth along that line of railway being produced a year. If the wealth production of \$27,000,000 a year would be adversely affected. I do not say that would be entirely destroyed—that would be foolish—but it would be adversely affected.

By Hon. Mr. Parent:

Q. What do you call Diamond?—A. It is a railway junction right near Levis.

Q. When you talk about Levis, that is quite near Quebec city?—A. Yes, sir.

Q. In find it strange that you neglect the name of Quebec when you give a detail.—A. I will keep that in mind, sir. I thought my reference was to development in Quebec along that line—

Q. Diamond is hardly on the map for tourists, and if you were to mention Quebec it might be understood much better. Now, I would ask you this. You have a parallel line from Quebec city up to where, Riviere du Loup?—A. Approximately.

Q. Would you say the line running from Quebec city, not Diamond, Riviere du Loup or Matapedia is a paying proposition as far as passenger traffic is concerned?—A. Oh, yes.

Q. I thought so. So that part of the line you speak of, not only the new line of the former Transcontinental but part of the line of the Intercolonial, is a paying proposition?—A. Oh, yes, sir.

As a last example, the Canadian Pacific proposal to abandon the St. John Valley Railway between Westfield Beach and Centreville (Proposal No. 4) may be taken as a type which, while it would not affect the general transportation picture, would be considered as extremely detrimental to the interests of the people living in the territory served.

That is a line of railway which was built by the province of New Brunswick for two purposes. They built it partly to supply the people living in the St. John valley with railway transportation, which had been denied to them for long while, and they also built it as a projected connection with the National Transcontinental. It was to be pushed through as a connection with the National Transcontinental at Grand Falls. They never finished it, because they ran into financial trouble, but it was incorporated in the Canadian National System and it serves a very useful purpose from the National standpoint although, quite frankly, if you were to ask me whether from a railway standpoint it was desirable to have that line there, I would say no. I would not recommend building it from a railway standpoint. And if you asked me it should be torn up from a railway standpoint, I would say that from a strict railway standpoint I think it should. But if you asked me, from the standpoint of the interests of the country, whether that line, having been built, would consider it advisable to tear it up—

HON. MR. PARENT: And in view of possible developments.

THE WITNESS: I would say no, I could not recommend it.

That is one of the lines we studied in our 1,800 miles of possible line abandonment. We had no sooner touched it than we knew from the service it was performing that it was essential in the national economy. We made a detailed study of it, what it did, how many people lived within so many miles of the line, what other means of transportation they had, what their position would be

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t were taken away, how much wealth they produced a year, how much wealth they had invested in their homes and stores and mills, and we got a picture that demonstrated beyond peradventure of doubt that the abandonment of that line would be a senseless procedure and would simply mean that instead of relieving the country of a burden we would be creating another burden and a bigger problem.

The population tributary to this line amounts to 27,000; station earnings arising from traffic interchanged with the line amount to \$650,000 per year, and nothing is more unlikely than the consummation of this abandonment.

In conclusion, it might be reiterated that even those abandonments suggested by the Canadian National, which in our view may meet the test of the three fundamental premises upon which abandonment could be justified, could not in point of fact be accomplished without seriously affecting the public relations of the railway. The disturbance to public relations would, in many cases, be so severe as to cause the retention of the line, or in other cases, lead to a delay in accomplishing the abandonment, nor may damage claim arising out of abandonment be ignored. A number of instances might be cited—perhaps as good a one as any would be the line between Saskatoon and Unity, a clear case of duplication.

Would you point that out on the map?

There you see the broad heavy line. That is the main line of the Canadian National. Now you see a little light blue line, that is closely parallel to it. They are almost within biscuit toss for quite a long piece; then they separate for a piece and get several miles apart. That is a clear case of duplication.

By Right Hon. Mr. Meighen:

Q. What is that other line?—A. It is the Canadian Pacific line. The history of it is the history of one of those insane things. The Canadian Pacific had confined their construction in Western Canada to territory pretty much south of their main line. Then when the Grand Trunk Pacific started to push its way into Western Canada the Canadian Pacific said, "Well, we have got to be there too," and went to work and started constructing that line parallel to the Grand Trunk Pacific and within sight of it.

By Hon. Mr. Hardy:

Q. For how many miles?—A., For over a hundred miles.

By the Chairman (Hon. Mr. Beaubien):

Q. Where does that line end?—A. Their line? It runs in there and goes on to Edmonton.

By the Chairman (Right Hon. Mr. Graham):

Q. To be fair, that was not the only sin committed in the West?—A. No, sir.

Q. With respect to parallelling lines.—A. I was careful to say this, that when the Grand Trunk Pacific started to invade the West—I am not saying here the blame lay—the duplication came about.

By Right Hon. Mr. Meighen:

Q. When was that Unity line built or projected?—A. Around 1903. Somewhere around there; I would have to look it up. It is a straight case of duplication.

By Hon. Mr. Murdock:

Q. Surely it was not in 1903. The Grand Trunk Pacific was not built till after that.—A. It was in the early nineteen hundreds.

By Hon. Mr. Horsey:

Q. But the Grand Trunk Pacific was built first.—A. One fellow had his route map down first. That is the situation. As to the exact date, I will have to look that up.

By Hon. Mr. Dandurand:

Q. The Grand Trunk Pacific was incorporated in 1903.—A. Yes, and it was subsequent to that, and I think it was referred to by Mr. Coleman of the Canadian Pacific as a classic example of the sins of the previous generation.

By the Chairman (Right Hon. Mr. Graham):

Q. I am not sure of the generation. As a matter of fact what is impressed on one's mind as to those days is that the railways, unless they had special charters, like the C.P.R., had to get their lines located through the Department of Railways.

Right Hon. Mr. MEIGHEN: Did not the C.P.R. also?

The CHAIRMAN (Right Hon. Mr. Graham): They had some special privilege.

Right Hon. Mr. MEIGHEN: I guess you approved that one.

The CHAIRMAN (Right Hon. Mr. Graham): The situation must have been different or it would not have got through.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN (Right Hon. Mr. Graham): There was just a little different situation when the C.P.R. in its original charter had certain privileges, or perhaps I should say rights, granted by legislation, that were not ordinarily given. The time came when we transferred the decision as to the location of new lines to the Board of Railway Commissioners from the Minister of Railways. I can say to you that it was a great relief to the Railway Department. I believe that after that it was more satisfactory, because the Board of Railway Commissioners had their experts, and the Minister of Railways, I regret to say, has never been a railway expert in my time—except for myself.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN (Right Hon. Mr. Graham): You can see the difficulty as to the location of lines through the West when everybody was clamouring for a railway and everybody seemed to be wanting to build one.

The WITNESS: Shall I resume?

By the Chairman (Right Hon. Mr. Graham):

Q. Yes.—A. (Reading):

Between these points the Canadian Pacific and Canadian National lines are never more than five miles apart as the crow flies, but in the event of the abandonment of the Canadian Pacific Railway, plainly the inferior line—

because their's is a branch line; ours the main line.

Q. How do you decide it? By naming it?—A. You see, our line is plainly our main line. The main line of the Canadian Pacific is that big blue line on the map.

Q. It is now?—A. Yes. The broad red line running up from Edmonton to Winnipeg is the main line.

[Mr. S. W. Fairweather.]

By Hon. Mr. Buchanan:

Q. Is that the line the C.P.R. uses from Edmonton to Winnipeg?—A. Yes. It is a secondary line of the Canadian Pacific.

Between these points the Canadian Pacific and Canadian National lines are never more than five miles apart as the crow flies, but in the event of the abandonment of the Canadian Pacific Railway, plainly the inferior line (Proposal No. 70), the town of Wilkie—

Point that out on the map, please.

—with 1,200 population would be left without railway transportation. This may be cited as an obstacle to a proposed abandonment, easily brushed aside in a general survey, but it would loom very large in case the abandonment were actually undertaken.

By the Chairman (Hon. Mr. Beaubien):

Q. What is that? A wheat country, I suppose.—A. Yes, sir, that is wheat country.

The above instances will serve to show the nature of the objections raised by the Canadian National to many of the Canadian Pacific proposals. It is not suggested that all of the lines included in the group of 2,446 miles are open to these objections, but the exceptions specifically discussed in this letter and rejected for one reason or another amount to 1,860 miles.

By the Chairman (Hon. Mr. Beaubien):

Q. Is that out of your 2,446 miles?—A. Wait a minute, let us get this straight. We started out with two estimates: one, an estimate of 2,434 miles, made by the Canadian National, and another estimate of 5,051 miles, made by the Canadian Pacific. The next thing we developed was that there were 2,446 miles of the Canadian Pacific's scheme with regard to which we thought we could test the validity of the abandonment, which lines comprise lines which were not included in our 2,434 miles. We analysed, as has been explained in this letter, 1,860 miles of the mileage of 2,446, which we were in doubts about, and with regard to that 1,860 miles we said it is either not economical or it is not feasible from the standpoint of the country.

Q. How much was not feasible? How much was not adaptable to elimination?—A. We studied 1,860 miles of them. And then we go on and say: "and much of the balance is of a similar character. We feel that the abandonments set forth in our tentative program"—that is, 2,434 miles—"would in point of fact approximate much closer to what is desirable and realizable than the Canadian Pacific program." Now, just one last word, in order that we might set this thing tied in. Yesterday I gave an estimate offhand that there might be 1,000 miles of duplicate lines that could be abandoned. Now, when you compare that with the 2,434, you may wonder where the other 1,400 miles are. The answer is that the 1,400 miles represents thin traffic branch lines of either company. For instance, we applied to the Board for 600 miles and the Canadian Pacific had in their program 500 miles of similar lines. They applied for permission to abandon 100 and they got permission to abandon 50. We applied for permission to abandon 600 and got permission to abandon 300. But if you take the thin traffic lines and add them to the 1,000 or so miles—the records have been looked up, and I now find it is 1,150 miles; but you see, I was speaking generally—if you take those 1,000 or 1,150 miles and add them to these thin traffic lines that are no part of any joint action, you would get approximately 400 miles.

By the Chairman (Hon. Mr. Beaubien):

Q. Out of that there are only about 1,100 miles of duplicate lines?—A. That in my opinion it is justifiable to abandon.

By Hon. Mr. Hugessen:

Q. You were going to give us details of those 1,100 miles to-day?—A. Yes, I can do that.

By the Chairman (Hon. Mr. Beaubien):

Q. In the program submitted by the Canadian Pacific, which is so much larger, 5,000 miles, how much of that is duplicate line?—A. It depends upon what you call a duplicate line.

Q. In your contention?—A. They did not separate them. They just simply said this is the redundant and useless mileage in Canada.

Q. That comprised their thin traffic lines?—A. Yes, it includes their thin traffic lines and our thin traffic lines, and what we call functionally duplicate lines, what are called functionally duplicate lines. They may take the National Transcontinental from Quebec through to Chipman; they may call that functionally duplicate, because they have got a line running between Quebec down to the Maritime Provinces also. But to me it is not functionally duplicate.

By the Chairman (Right Hon. Mr. Graham):

Q. There seems to be a difference of opinion?—A. I cannot say as to that. But I know this, that there could be no difference of opinion of any reasonably minded man who knew the facts, that to abandon that transcontinental railway from Quebec to Moncton would be just ridiculous.

By Hon. Mr. Gordon:

Q. You do not say they suggested that?—A. Yes, they did suggest that. It is included in the estimate, certainly. Every one of these lines that I have mentioned are lines that the Canadian Pacific had in their 5,000 miles estimate of things that they were going to do in the way of line abandonment in this country.

Q. I thought you said they might have wanted that?—A. No, I did not say that, sir.

By Right Hon. Mr. Meighen:

Q. You said they might consider them as duplications?—A. I said I do not know what they call them, but they included them in a plan and say: here is the amount of useless mileage in Canada. And we say that the amount of mileage that you could consider as being useless or unnecessary is somewhere of the order of 2,400 miles, as a maximum. And, as far as I am concerned, I do not think that you could justify it before the Board of Railway Commissioners; think the Board would reject some of that, and quite properly so. All of those estimates that I have made are to some extent conditioned upon my attitude as a railway officer. I tend to look at the thing from the loss standpoint. I am trained to try to take the national standpoint, and I have on very many occasions taken that standpoint and advised in the light of the national interest, as compared with the narrow railway interest. But even at that, although I am specially trained to do that, there is a tendency for a railway man to be prejudiced and to underrate these features of public convenience and necessity. So I think it is entirely desirable that there should be some body that would put a check upon things being done in the railway interests that are not in the interests of the country. The 2,400 miles I mentioned are subject to whatever qualification would be put upon that mileage by people who would look at it and say, "Well, now, admitting that the railways have made a case on paper, is it a case that

[Mr. S. W. Fairweather.]

be supported from the public interest?" I do not know how much of that 600 miles would be cut down. But I know this: we went to the Board of Railway Commissioners with regard to 600 miles of our own thin traffic lines, pared out of 1,800 miles—I am told now that it is nearly 2,000 miles, in fact—and we got permission for less than half of that.

By Hon. Mr. Calder:

Q. And you went with the best of them, I presume?—A. Yes, you are copy right, sir. We knew we had one or two doubtful ones there, but we put those in as test cases. We wanted to find out how far the Board would go.

By Right Hon. Mr. Meighen:

Q. Did you try hard?—A. I will say we tried hard.

By Hon. Mr. Calder:

Q. Will you state just briefly again, so that I can get them in my mind, at least, the three principles that you applied to a test? You do not need to repeat them, but just state them briefly?—A. We said:

1st—The abandonment must be of such a nature that from the railway operating standpoint an immediate economy would result.

2nd—The abandonment must be of such a nature that it would not damage the efficient functioning of the transportation machine as a whole.

That is, we are not going to destroy through routes for immediate economy.

The third test is:

3rd—That the line proposed for abandonment does not to a substantial degree furnish essential transportation to communities or industries, "essential" being used in the sense that highway transport could not efficiently replace the railway.

Q. You applied those three tests to the 5,000 miles submitted as a proposal by the Canadian Pacific Railway?—A. Yes, sir.

Q. And you came to the conclusion that somewhere in the neighbourhood of 2,000 miles would not stand up under those principles?—A. More than 2,000 miles.

By Hon. Mr. Buchanan:

Q. Yesterday you were talking about a road from Kamloops south to the Okanagan country. Looking at that map, I think that from Moose Jaw west to Vancouver, south of the main line of the Canadian Pacific, there is no competitive road in the whole territory except that one line that was discussed yesterday. And living in that territory, I have come to the conclusion that with one railroad we are getting a quite satisfactory service. Now, again this morning you spoke of the Canadian Pacific going up into territory that really belonged to another railroad. Would there be any economy in developing a policy whereby the country would be zoned, so that one railroad would handle transportation facilities in one section and another railroad would handle transportation facilities in, say, northern Saskatchewan and northern Alberta?—A. I think that that is a very practical suggestion, so far as the future policy concerned. I think that that might very well be added some degree of reallocation of the existing lines.

By the Chairman (Right Hon. Mr. Graham):

Q. Was there not an effort made at one time to divide—theoretically, at least—the country into zones for the construction of new lines?—A. I believe there was, sir.

Q. Did the roads not get together—at least, I understood so—and say that one road would not go into a certain territory, and the other road would keep out of another territory? The Department, of course, always insisted that the interests of the people should not be sacrificed by that arrangement.—A. I believe there was an arrangement like that, and it broke down in the post-war boom period.

Mr. FLINTOFF: No, in 1929.

Hon. Mr. CALDER: Mr. Chairman, here is point. If either the Canadian Pacific or the Canadian National desires to get a branch line in any province and is unable to obtain a federal charter, a provincial charter can be obtained. In such a case, has the Board of Railway Commissioners any jurisdiction, in so far as tying up that branch line with the railway's main line?

The CHAIRMAN (Right Hon. Mr. Graham): The Act specifies what branch line is.

Hon. Mr. CRERAR: In the province of Saskatchewan for example, the Canadian National comes to the provincial legislature and asks for a charter to build a branch line from one of its already constructed lines. Now, a charter is granted. Is that subject to the approval of the Railway Board as to location and junction with the railway's existing line?

The CHAIRMAN (Right Hon. Mr. Graham): If it is only a provincial charter, it would not be.

Right Hon. Mr. MEIGHEN: We could pass an Act declaring it to be a work for the general advantage of Canada, and bring it under the Railway Commission.

Hon. Mr. CALDER: When we are talking about zoning, it must be remembered that the provinces have power to grant charters to railways. Unless we have authority over such charters in some way or another, we cannot do what is suggested.

The CHAIRMAN (Right Hon. Mr. Graham): What happened, Senator, was this. In a great many cases, including the Canadian Northern lines in British Columbia, they were declared later on, although there was a contract between Mackenzie & Mann and the McBride Government that the company should endeavour to keep away from Federal jurisdiction, if I remember rightly, to be Federal undertakings. This Parliament passed an Act declaring those lines for the general advantage of Canada, and of course automatically they came under the Board of Railway Commissioners.

Hon. Mr. CALDER: But are you not in trouble every time you attempt to do that? I represent the province of Saskatchewan and I arrange with my colleagues for the construction of a railway line. Then the Federal Government comes along and says, "Here, young fellow, you cannot do that. We are going to declare that line something for the general advantage of Canada, and bring it under our jurisdiction."

The CHAIRMAN (Right Hon. Mr. Graham): No.

Hon. Mr. HARDY: If the railway comes in contact with the Federal line becomes subject to the jurisdiction of the Federal Government.

Hon. Mr. CALDER: That is the question I asked.

Hon. Mr. HARDY: I think I am right there.

Hon. Mr. CALDER: But the chairman says no.

Right Hon. Mr. MEIGHEN: Any right of a province to construct public works is subject to the overriding right of the Dominion to declare such work to be for the general advantage of Canada, and so bring it under Federal jurisdiction.

[Mr. S. W. Fairweather.]

Hon. Mr. CALDER: But take a railway running north that connects both with the C.N. and the C.P., would the Federal Government declare that line to be for the general advantage of Canada?

Right Hon. Mr. MEIGHEN: Not lightly.

Hon. Mr. CALDER: As my right honourable friend says, it is not likely in regard to any charter.

Right Hon. Mr. MEIGHEN: I did not say "not likely"; I said "not lightly."

The CHAIRMAN (Right Hon. Mr. Graham): I think the Act to which Senator Hardy refers provided at one time that the crossing of a provincial line by a Federal line made it a Federal line. That was declared to be not good law in the courts of Quebec, if I remember the case.

Right Hon. Mr. MEIGHEN: I should not think it would be good law.

The CHAIRMAN (Right Hon. Mr. Graham): Several other things had to be taken into consideration.

Hon. Mr. COTE: But the Railway Board has jurisdiction to allow or disallow a junction between a provincial and a Dominion line. Application must be made and leave obtained before such junction can be physically effected.

Hon. Mr. PARENT: I think if a Federal road leases a provincial road then the provincial road falls under the jurisdiction of the Railway Commissioners. I have in mind the Quebec Central Railway, which was leased to the C.P.R. for a long period of years. That road then became subject to the Federal authority.

The CHAIRMAN (Hon. Mr. Graham): Do we know all we can know about that point? It has its difficulties, but I see it is clear, as Senator Meighen says, that the Federal jurisdiction overrides the provincial if the provincial road is considered to be a public work in the interest of all Canada.

Hon. Mr. CASGRAIN: In making a crossing only, but not paralleling an existing road.

Right Hon. Mr. MEIGHEN: Oh, yes.

The CHAIRMAN (Right Hon. Mr. Graham): Yes. I do not think we are encroaching on any vested rights in such cases. Now let us give Mr. Biggar a chance to proceed.

By Mr. Biggar:

Q. Mr. Fairweather, put shortly, the position between the two railways was that each submitted a list of possible abandonments independently of the other?—A. Yes, sir.

Q. And according to your letter, of the proposed abandonment in terms of mileage, those lists represent 2,098 miles?—A. That is correct, sir.

Q. Will you tell us where that mileage is which both railways were of opinion might be abandoned in 1932?—A. I think I could do it.

Q. You need not take the small pieces; take the really big bites.—A. Perhaps it would be advisable to point them out on the map. Middleton Junction to Granville, 22 miles.

Q. Has that been abandoned?—A. That is the line we had so much discussion about. It has been not abandoned, but is just at the point of going to the Railway Commission.

The next is Grand Falls-Edmunston. There is a little piece in there that has been abandoned.

Q. How many miles?—A. Twenty-seven. The Canadian Pacific abandoned a line closely parallel to the National Transcontinental. That has been done.

Scotts Junction-Harlaka Junction. That is right up near Quebec.

Hon. Mr. CASGRAIN: Megantic.

The WITNESS: That was studied jointly and considered not desirable.

By the Chairman (Right Hon. Mr. Graham):

Q. What kind of traffic was it used for?—A. It was just a connection. When we looked into the complications of operating in and out of Quebec city we found they were such that it did not make the abandonment desirable.

By Hon. Mr. Haig:

Q. That was abandoned?—A. We studied it jointly and jointly agreed it was not desirable to do it when we knew all the details. There is a case of a line where we thought it might be done. We sat down and studied it in detail and found it was foolish.

By Hon. Mr. Horsey:

Q. It was in both these lists of abandonments?—A. Yes.

The next is Dombourg-St. Marc, 23 miles. That has been abandoned by the Canadian National Railways as an exclusive abandonment.

By Mr. Biggar:

Q. Independently?—A. Independently. We had a little trouble with it. It was stood over for a year.

By Hon. Mr. Casgrain:

Q. What province?—A. That is the province of Quebec.

By Hon. Mr. Calder:

Q. You do not mean to tell us the Board of Railway Commissioners took a year to decide that question.

Hon. Mr. CASGRAIN: Sure.

The WITNESS: When I say it was stood over for a year, I mean this. The local residents came to us and said, "We want an opportunity to discuss it." It is only a matter of about two months ago that the Board notified us we might abandon it, and we did.

By Hon. Mr. Cote:

Q. What was that line used for from Dombourg to St. Marc?—A. To understand that you would have to understand the construction of the National Transcontinental and the Canadian Northern line down to Quebec. It arose out of a duplication of facilities. We had a line down on the shore and line on top of the plateau. It is a duplication that grew out of past history.

By Hon. Mr. Haig:

Q. It took the Railway Commissioners a year to make up their minds?—A. The trouble was there were communities located along that line.

By Hon. Mr. Casgrain:

Q. Before you leave Quebec, why don't you cut out the 14 miles from Plac Viger and use the C.P.R. lines?

By Hon. Mr. Parent:

Q. That is Montreal. We are discussing the Quebec situation now?—A. The next is Farnham to St. Johns, 13 miles. That has been abandoned.

By Hon. Mr. Casgrain:

Q. What province?—A. Quebec.

[Mr. S. W. Fairweather.]

By the Chairman (Hon. Mr. Beaubien):

Q. Which railway gave up the line there?—A. In that particular case the Canadian National. The next line is from Soulanges to Cornwall. That is a line which the Canadian Pacific runs off their main line to get down into Cornwall.

By the Chairman (Right Hon. Mr. Graham):

Q. That was recently constructed, was it not?—A. Not so very long ago. It serves no purpose except to give the C.P.R. entrance into the industrial town of Cornwall. That was 27 miles.

By Mr. Biggar:

Q. What is the position now; it stands as it was?—A. It was studied and reported against.

Q. Reported against?—A. Yes.

By the Chairman (Hon. Mr. Beaubien):

Q. By both railways?—A. According to my information here—I will have to confirm it, for after all I cannot keep all these details in my head—but according to these records this was studied and rejected.

By Hon. Mr. Dandurand:

Q. How many miles?—A. Twenty-seven miles.

By Hon. Mr. Black:

Q. It has not been abandoned, Mr. Fairweather?—A. No, it has not been abandoned.

The next is Arnprior to Renfrew, 17 miles. With that you should take the line from Payne to Eganville, 19 miles.

By the Chairman (Right Hon. Mr. Graham):

Q. That is the old Canada Atlantic Railway running up from Ottawa here to the Madawaska Valley. Don't you think you ought to divide it between the two railways we are discussing now? It is no longer the old Canada Atlantic?—A. It is the Canadian National Railways west of Ottawa. The Canadian Pacific have a line which, in combination with their main line, duplicates the Canadian National line from Arnprior to Eganville. That is a total distance of about 36 miles.

By Hon. Mr. Robinson:

Q. Which one is that?—A. I am coming to that. We studied that line and reached the conclusion that the Canadian National should abandon its line from Arnprior to Eganville and use the Canadian Pacific line—will you point it out on the map—from Eganville to Arnprior, and thereby avoid this duplication. When we started to make the arrangement effective we found that the engineers had overlooked the fact that the Canadian Pacific bridges on their main traffic line into Eganville would not hold the class of power which we had to operate on our line, because our traffic was heavier. Therefore we had to set it aside for further study.

Now, about that time we made an application to the Board of Railway Commissioners for the abandonment of the line from Golden Lake to Pembroke. You see that on the map?

By Hon. Mr. Casgrain:

Q. How many miles?—A. Twenty-one miles. The Board of Railway Commissioners said, "No, we won't let you abandon that line."

Q. That is in Ontario?—A. That is in Ontario. They said it would not be in the national interest that that line be abandoned. Knowing that we had to keep that line from Golden Lake to Pembroke, the Canadian National believed that they might be able to work out an arrangement whereby the traffic from the Madawaska Valley would come down to Golden Lake and run over this line to Pembroke and joint the main line, and we thought we might be able to work out a more convenient and economic arrangement than the one we had previously under discussion. Circumstances having changed we thought we could do that.

It started as a simple little study, but rapidly became complicated. For instance, it was upsetting the rate structure. But we solved those difficulties I think, and were about to propose to the Canadian Pacific an alternative arrangement under which the Madawaska traffic would come down to Golden Lake, go over to connect with the Canadian National at Pembroke, and come down the main line of the Canadian National; and the passenger business would probably go over and connect with the Canadian Pacific trains at Pembroke. It would be a co-operative arrangement.

By Hon. Mr. Gordon:

Q. Would not that be much longer than the old Canada Atlantic?—A. When we take everything into consideration it produces a substantial economy. This line has not actually been abandoned, but a bigger abandonment than indicated here will probably be made.

By Hon. Mr. Dandurand:

Q. How many miles are involved?—A. Thirty-six.

By Mr. Biggar:

Q. And this is in the same position that it was in in 1932?—A. No, I would not say that.

Q. Physically?—A. Physically it is in the same condition.

The next line is the Brockville-Westport. That is a little line—

Q. If we go at this rate through 2,000 miles, I think we will be into the end of next week. Could you not just tell us what are the principal lines included in the 2,098 miles which have been abandoned, which are agreed to be abandoned, and which are in exactly the same position as they were in 1932?—A. If you want that, I will have to prepare a statement. I introduced the evidence by saying that I had the information, and that if you could be satisfied with me I would go through it.

Q. What is the next piece?—A. It is from Brockville to Westport.

Q. How many miles?—A. Thirty-one miles.

Q. What is the position with regard to that?—A. The Canadian National studied that as an independent line and rejected it. We could not support it.

Q. What is the next?—A. It is a fairly substantial one, Glen Tay-Whitney.

Q. How many miles?—A. That one is under study with the Joint Co-operative Committee.

Q. How many miles?—A. One hundred and sixty-four miles.

By Hon. Mr. Dandurand:

Q. Nothing has been done. It is under study?—A. Yes.

By Hon. Mr. Robinson:

Q. That is the C.P.R. Ottawa line?—A. Part of their line, what we know as the shore line.

[Mr. S. W. Fairweather.]

By Mr. Biggar:

Q. Next?—A. Ronnac-Greenburn has been abandoned. That is a National line. It is a thin traffic line.

Q. That is an independent one?—A. Yes.

By Hon. Mr. Calder:

Q. How many miles?—A. Forty-two.

Next is Linwood to Listowel, 16 miles. That is awaiting the approval of Board of Railway Commissioners.

By Hon. Mr. Copp:

Q. Is that Canadian Pacific or Canadian National?—A. Canadian Pacific.

By Mr. Biggar:

Q. Next?—A. From Glencoe to Kingscourt. That is an exclusive Canadian National line, 21 miles, and we are trying hard to get rid of it.

By the Chairman (Right Hon. Mr. Graham):

Q. Where is it?—A. In Southwestern Ontario. It is a thin traffic, exclusive, and we have been trying to get rid of it.

By Hon. Mr. Gordon:

Q. Is it before the Board?—A. Not at the present time.

By Mr. Biggar:

Q. And the next?—A. The next one is Nipigon to Current, 63 miles. That is one of the lines I discussed in the letter.

Q. And it is in the same position?—A. It is under study. There are two lines there, the C.P.R. and the Canadian National, and it is a question which could be abandoned.

Q. And the next?—A. Beech Junction to East Selkirk.

Q. How many miles?—A. That one has been under study for considerable time—oh, I was mixing this line up. This is the line I was speaking of the other day. It is shown here as 24 miles, and after we agreed to abandon an artery came in there and made the Canadian National Executive reserve it.

Q. In other words, we may mark it as having been deliberately retained?—A. As far as the Canadian National is concerned the Executive has not yet reached a decision.

Hon. Mr. DANDURAND: Suspended.

The WITNESS: That is right, suspended.

By Mr. Biggar:

Q. Next?—A. Winnipeg to Morris, 40 miles. Under study at the present time.

By Hon. Mr. Parent:

Q. In all your answers you do not tell us the population that is going to be affected by the abandonments or proposed abandonments.—A. No, sir. I touch on that in the letter in specific cases, but in this statement I do not. Elm Creek to Plum Coulee, 40 miles, a C.P.R. branch line.

By Mr. Biggar:

Q. What position is it in now?—A. We are not studying it. It is a C.P.R. line. It is one of those lines that was included in both plans.

Q. Next?—A. Portage to Gladstone, 35 miles.

Q. What position is that in?—A. It is under study.

By Right Hon. Mr. Meighen:

Q. Which line?—A. It may be one or it may be the other. There is duplication there, and it is under study.

Next, West Tower to Deer. There is a duplication there. It was looked into and it was found that it would not pay to abandon.

By Mr. Biggar:

Q. What is the mileage?—A. Twenty-two miles. It was examined jointly and found definitely not economic.

By the Chairman (Hon. Mr. Beaubien):

Q. And rejected?—A. Rejected for that purpose.

Q. Do you mean by both railways?—A. Yes, sir. In this I say it is Canadian National exclusive line.

By Mr. Biggar:

Q. Next?—A. Forest to Wheatland, 19 miles.

Q. What position is that in?—A. Under study.

By Hon. Mr. Haig:

Q. There is no business there?—A. Well, it is under study. The next is Brandon to Maryfield.

By Mr. Biggar:

Q. The mileage?—A. Seventy-five miles.

Q. What happened to it?—A. Forty miles of it are under study, and miles have been rejected as not being economic.

By Hon. Mr. Robinson:

Q. All C.N.?—A. Oh, yes.

Holmfild to Deloraine, 51 miles, C.N. That has been extended to Louis Deloraine, and all agreed to, and the report has been approved and the agreement is in course of preparation.

By Mr. Biggar:

Q. What is the total mileage?—A. Fifty-six miles, but you had better keep to the mileage in the schedule, 51.

Next, Binscarth to Inglis, 24 miles. That is C.P.R. line.

By the Chairman (Hon. Mr. Beaubien):

Q. That has not been abandoned?—A. It is not under my review at

By the Chairman (Right Hon. Mr. Graham):

Q. It is contained in a certain mileage given.—A. It is in the 5,000 miles it was in the 2,400, and it is in the 2,098, which is joint.

The next is McCauley to Virden. That is another C.P. branch line.

By Mr. Biggar:

Q. Has it any existence, as far as you know?—A. Yes.

Q. And the mileage?—A. Thirty-six miles.

The next, Maryfield to Peebles, 71 miles.

Right Hon. Mr. MEIGHEN: That is ridiculous.

By Mr. Biggar:

Q. That is a physical line.—A. That was jointly studied and extended from Wolsley to Reston. That is the line that we agreed should be abandoned and then the Canadian Pacific reserved it.

[Mr. S. W. Fairweather.]

Q. As far as the line—A. Physically it is still there.

Next, Worrell to Moose Jaw Junction, 39 miles. That is National. That would perhaps be better known as Regina to Moose Jaw. That is under study.

Then there is the line from Saskatoon to Unity, 120 miles, to which reference has been made. Sixty miles of that were studied and rejected, and the other 60 are under study.

By Hon. Mr. Casgrain:

Q. Have you under study also the road running into Goderich, on Lake Huron? The Grand Trunk has been in there for 60 years, and it could not make a living. Yet the C.P.R. built to go in there too. There is not enough business there to keep one road going.

By Mr. Biggar:

Q. The next, Mr. Fairweather?—A. Bruderheim to South Edmonton, 33 miles. That is under study. That is a C.P. line.

By the Chairman (Right Hon. Mr. Graham):

Q. Which direction is that?—A. That is a very famous line, that Bruderheim to South Edmonton line.

Q. What is the mileage?—A. It is 33 miles.

By Mr. Biggar:

Q. And the next?—A. The next is 50 miles of the Northern Alberta Railway from Edmonton to Kerensky and from Carbondale to Morinville.

Q. What happened to that?—A. That is under study at the present time.

By Hon. Mr. Parent:

Q. A Canadian Pacific line?—A. No, Northern Alberta.

By the Chairman (Right Hon. Mr. Graham):

Q. There is one line there that both roads have an interest in?—A. Yes sir.

Q. Is that the line?—A. Rather an expensive interest. And the next is Tofield to Barlee Junction, 23 miles.

By Mr. Biggar:

Q. What happened to that?—A. That is a Canadian National branch line. We studied it and found we could not justify abandonment. The next is Warden to Alix, 22 miles. It is jointly agreed that 9 miles of those 22 should be abandoned and 13 miles should be retained. Then, Red Deer Junction to Rocky Mountain House, 55 miles. It is jointly agreed that a composite line would be satisfactory, and the preparation of the agreement is under way. The next is Grainger to Barlow Junction, 47 miles. There, 33 miles are jointly agreed to and 14 miles have been rejected jointly. The last is Lake End to Cowichan Lake, 31 miles.

Q. What happened to that?—A. That line is not under study. As a matter of fact, it is a Canadian National line which we think should be retained.

Q. May we put it down that you have decided to retain it?—A. Well, of course, circumstances change, you know, but at the present time—I will put it this way—the Canadian National can see no justification for abandoning that 1 mile of line. That comprises the 2,098 miles that were joint to both estimates.

Q. The result of what you have said, according to my notes, is that there have been either agreements to abandon or a decision to abandon 1,225 miles, and that there has been no decision and nothing done with regard to 781 miles. That may not be exactly accurate—

The CHAIRMAN (Right Hon. Mr. Graham): I think that what is nearest the members' minds just now is adjournment.

The Committee adjourned until after the Senate rises this afternoon.

The Committee resumed at 5.15 p.m.

The CHAIRMAN (Hon. Mr. Beaubien): In the unavoidable absence of my colleague (Right Hon. Mr. Graham), I will now suggest that we proceed.

S. W. FAIRWEATHER (Examination resumed).

By Mr. Biggar:

Q. Mr. Fairweather, you have taken advantage of the recess to prepare a memorandum covering that position that we were discussing this morning with regard to 2,098 miles, have you not?—A. Yes sir, and I found that I had, in hurrying over it, made certain omissions.

Q. So that it is now in the form of a written memorandum and is now complete and accurate?—A. Yes.

Q. And accounts for the whole 2,098 miles?—A. Yes. And I have made a mileage summary at the bottom of it, which will classify the mileage and show the present status.

Q. With regard to each section?—A. Yes.

(Canadian Pacific Railway's proposal for line abandonment, mileage common to C.N.R. and C.P.R., before Royal Commission on Railways and Transportation, 1932, filed and marked Exhibit 43.)

Q. And I would ask you if you would let us have the memorandum relating to your estimate of \$24,000,000. You said you could do that.—A. Yes, sir. I will arrange, if the Committee desires for a copy of it.

Q. We will not print that?—A. It is fairly lengthy.

Q. It will be available in the same way as the other memorandum of the same kind?—A. Yes, sir. I will have to crave the indulgence of the Committee to do it when I have a copy available. The only copy I have is my file copy.

Q. You could let us have that by Tuesday?—A. Yes.

Hon. Mr. MURDOCK: The members of the Committee could have a mimeographed copy?

Mr. BIGGAR: If it is going to be reproduced, it had better be printed. But it will be available like the one about the \$56,000,000, unless the Committee prefers to have it printed.

The WITNESS: It is a fairly lengthy document.

Mr. BIGGAR: It will be Exhibit 44.

(Memorandum relating to Mr. Fairweather's estimate of \$24,000,000 economies, to be filed and marked Exhibit 44.)

Q. Then you had another memorandum, a comparatively short one, with regard to the 5,051 miles of Canadian Pacific line and also with regard to abandonment under other schemes, the \$24,000,000, and so on. You have that in an analytic form, I understand?—A. Yes, I have a complete co-relation of each line, under these various headings.

Mr. BIGGAR: I suggest to the Committee that that need not be printed. It is merely for the purpose of reference. That will be Exhibit 45. Of these three exhibits, we shall print only the short one, Exhibit 43, unless the Committee wants the long ones printed.

(Memorandum in analytic form, of proposed abandonment of 5,051 miles of Canadian Pacific line, etc., to be filed and marked Exhibit 45.)

Hon. Mr. BLACK: Mr. Chairman, there does not seem to be much before the Committee just now. May I ask Mr. Fairweather a question or two?

The CHAIRMAN (Hon. Mr. Beaubien): Certainly.

[Mr. S. W. Fairweather.]

By Hon. Mr. Black:

Q. Mr. Fairweather, I gathered from the evidence to which I have listened that up to the present time there has not been very complete or willing co-operation between the two lines. Am I right? At least that is the inference I could not help drawing.

Hon. Mr. DANDURAND: Would you repeat the question, please?

By Hon. Mr. Black:

Q. While some economies have been made, to a minor degree, there has not been as complete and effective co-operation between the two roads in making economies as there might have been. At least, that is the inference which I cannot help drawing from the evidence. Am I right in that?—A. That is a correct inference, in my opinion, sir.

Q. That is unfortunate, exceedingly unfortunate. But I want to get down to one or two details, referring not to any combined action of the two roads, but to the Canadian National's attitude to the elimination of certain lines. I intend to ask the same questions of the representative of the other road, when opportunity offers. It is unpleasant for me to have to ask questions that might lead the public to think I was advocating the closing of certain roads in my own territory. I am not asking the questions with that object; I am asking them because I happen to know of the two or three roads that I shall mention. In the province of New Brunswick there are a large number of branch lines which were taken over from time to time by the Canadian National, and which in their day and generation served a very important purpose in the transportation life of that part of the country and of Canada. But I am told by officers of the Canadian National that because of changed traffic conditions those roads are really not necessary at the present time in the transportation economy of New Brunswick. The first one I want to refer to is the one nearest your home at mine, that is the Moncton and Buctouche road. There was a time when that served a really valuable purpose. It does yet. I agree that if the closing of that line were suggested and I were living there, I should oppose it. Yet, I am told that because of paved highways in that section, the increasing use of motor cars and trucks, and an effective bus service which is said to have run throughout last year, even in the winter, there is not very much real use for that road and that it would be cheaper for the Canadian National to close it and give the service by bus and truck. The products coming out of that territory over the railway must be almost entirely confined to lumber and fish of various kinds. The lumber very largely goes out of the port of Buctouche on schooners and steamers, and though some of the fish is moved by rail, more of it is moved by truck and boat—at least that is the information given to me. So, aside from the small amount of farm produce and that kind of thing which is now being hauled over the road, it does not seem that there can be much freight, and the gentlemen from whom I got my information seem to think that it does not pay the Canadian National to keep that road running at all, except for sentimental reasons. Is that correct? Could the road be properly abandoned?—A. Well, we studied that line very carefully.

By Hon. Mr. Calder:

Q. Was it included in your mileage study?—A. It is one of the lines included in the Canadian National's thin traffic study. It is one of the lines included in the 1,800 miles of which I spoke. It is a line which, it is quite true, does not in a narrow sense pay to operate. But we put it in the category of a line where at the time we made the study, relative to other lines, we did not think the Board of Railway Commissioners would approve abandonment. And I think our judg-

ment was sound, because we picked a line not very far from it, called the Elgin and Havelock line, where all the features which have been mentioned were present to a more marked degree than in the case of the Moncton and Buctouche. We also picked a line from Hampton to St. Martin's—

By Hon. Mr. Black:

Q. I was going to refer to that. Why not just answer what I first asked?
A. I was trying to explain, sir. With regard to both of those lines, Elgin, Havelock and Hampton to St. Martin's, the Board of Railway Commissioners refused to permit the abandonment. We knew from our record that if we could not carry Elgin and Havelock we did not have any chance of carrying the Moncton and Buctouche abandonments.

Q. The conditions have changed even since your study of the case. The road is now paved and there is a bus line in operation, and I am told there is less traffic by rail and more traffic by bus and truck over that road.

It is not nice for me to have to mention roads in my own district that I know of, but if we are going to approach this question on the principle of keeping away from my territory but invade the other's, we shall not get a fair picture. I am told by persons from your own group that there would be a very considerable saving effected by the closing of that road without, under present traffic conditions, doing any injury to that community. That is the information I have received after making considerable inquiries. You mentioned Havelock and Elgin?—A. Yes, sir.

Q. That runs eight miles in one direction and seven miles in the other?
A. It is twenty-six miles long.

Q. I think you put up a pretty good case when you wanted that closed.
A. Yes, sir.

Q. I think you can put up a better case to-day. After all, what is the opposition to that road? It is purely a political opposition. I do not meet any party opposition at all. It was political opposition. As happens in almost every case where these questions come up opposition comes first from a man who has something and does not want to lose it—that is very natural and human—then from those who think it will help their political or other influence to join in with the residents. The endeavour is to prevent the Canadian National Railways in this case from getting the advantage which they are entitled to by giving to the people now a service under a very much cheaper method and yet just as effective as the present service. I have read the proceedings in the Havelock and Elgin case and have discussed it with some persons who appeared before that committee, and I put down the opposition to that road—and I couple with it the road which runs from Hampton to St. Martin's—to the same influences. I am confident you can give just as good service at a very much lower cost and just as effective as you give now by eliminating the steam railway services altogether. I have a feeling, and I think it is shared by the majority of this committee, that there is too much attention paid to the local opposition. This opposition is natural, but if the economy was once effected and another service given the opposition would cease. Given the opportunity, the railways could without sacrifice of service to the country take up scores of these small lines which would in the aggregate make a very great saving.

Hon. Mr. CALDER: Could not your remarks be better addressed to the Chairman of the Board of Railway Commissioners?

Hon. Mr. BLACK: My remarks are addressed to this committee, and if the committee is to do any good it has, after it has formulated its views, to impart them on the authorities higher up.

Hon. Mr. MURDOCK: We cannot change the law as it applies to the Railway Commission.

[Mr. S. W. Fairweather.]

Hon. Mr. BLACK: We can at least make the Railway Commission know what we think about it. If we do not, we are not doing our duty in my opinion.

Hon. Mr. SINCLAIR: If the railway was closed down do you think the road services would be effective during the four months of winter?

Hon. Mr. BLACK: That is changing. Since the road has been paved to *ectouche* they have adopted a system of ploughs to keep the road open. As we goes on they will have less and less road interference.

Hon. Mr. SINCLAIR: It has not come yet.

Hon. Mr. BLACK: I submit I know that situation just as well as anyone else here.

Hon. Mr. PARENT: I think you are quite correct in your argument. There is very little difficulty with snow removal now because the work is well organized.

Hon. Mr. BLACK: I think I am or I would not make it. I would say almost the same about the Kent Northern section. It is not as easily served, but they have an excellent port. Lumber and fish are the two main products of that section. The bulk of the lumber is loaded on vessels that go largely to the British Columbia and Irish markets, some shipments go to the States in schooners. I think you give a two-day service a week on the Kent Northern.—A. I could not say.

Q. It is not a daily service now at all events. There is another road which by readjustment of traffic conditions a distinct saving could be made to the Canadian National without loss to the public in that section. These are only a few—St. Martin's, Kent Northern, Havelock-Elgin, Salisbury-Harvey. They have a two-day service on the Salisbury and Harvey. The roads are getting in better condition continually. The traffic that comes out of the Harvey end is very light, and I suppose what goes down outside of L.C.L. freight, which could be carried on trucks operated by the railway, if so desired, would be a few loads of flour. Flour now is being distributed at those ports by steamers coming down the St. Lawrence dropping part of their cargo at this village or town and part of it at some other village or town. There is not anything like the railway traffic in flour to these points as there used to be. Those are only a few of the roads which, it seems to me, could now be again taken under consideration. I need not call them to the attention of these railway experts, for they know very much more about them than most of us do. Those in my opinion are five sections in which the public could be served as well by other and cheaper means, and so effect a very considerable saving to the C.N.R.

I think your evidence implied that there was not a very willing and complete co-operation between the two roads to effect economies. This is apparent from the time taken even to get the few economies that have been effected. I think it is clearly evident from the whole tenor of your evidence that while we want to get co-operative economies, both the C.N.R.—and that is the one we are more particularly interested in because it is the people's road—and the C.P.R. should eliminate service wherever it can possibly be done with justice to the public. There might be some loss of employment, but that must be taken care of. It was very clearly enunciated in the Senate when the whole matter of appointing a committee was discussed. I think there is a real field for many more economies in about 130 branch lines from coast to coast. Probably there are more, but that is all I have a list of.

I think further studies should be made. Studies made six or even three years ago are not as accurate now as they were then in relation to these savings, because highway transportation conditions have been very greatly improved in the meantime. Consequently the public served by these roads in the old days could now be served as well or better in many cases by bus and truck.

To me it has been a regret that the railways did not years ago take up the bus and truck business, so that they would be in a position to retain, through these agencies, a very large amount of business which they have lost because they did not see fit to go into that field but allowed other agencies to come in and take away freight from them.

I have mentioned these things now because I thought I might not be here again before Mr. Fairweather and his group finish their evidence. I wanted to express my own opinion and then to get Mr. Fairweather, if he cares to, to say if he does not think there is a good deal to be said for a re-study of these small lines—I mentioned a few by way of illustration—with a view to regrouping and the elimination of steam or electric operation in the manner I have suggested, which would create a real saving for the C.N.R.?—A. Well, sir, I answer your question very briefly, as I said, I am chairman of a committee to watch these thin traffic lines. We watch their results continuously; that is, we keep checking them up from time to time. We have just recently taken a test case to the Board of Railway Commissioners for re-hearing. We picked out a line from Farnham to Frelighsburg. We applied for abandonment; they refused. We waited for about two years and kept close check on the situation. Now we have gone back to the Board for a re-hearing, so we will find out whether conditions are the same.

By Right Hon. Mr. Meighen:

Q. Mr. Fairweather, just there, you heard the judgment of Commissioner Garceau, I think it was, on that very line?—A. Yes, sir.

Q. On the principles enunciated in that judgment you never could abandon any line. Would not that be the effect?

Hon. Mr. PARENT: They surely have done so in Quebec.

By Right Hon. Mr. Meighen:

Q. I know; and elsewhere. But on the principles of that judgment you never could abandon any line?—A. Well, sir, it is hardly proper for me to comment upon a matter like that, is it?

Q. I guess you are right.

By Hon. Mr. Black:

Q. I thought he was perhaps going to say that the wishes of his particular committee were not carried out because they could not get them agreed to. We may have to go further up, as Senator Murdock suggested a while ago.

Hon. Mr. MURDOCK: If this is question time, may I here bring forward a question that I should like to put to Mr. Fairweather, and also to the Chairmen and to the leaders on either side of the Senate? We in Canada admire our freedom and the freedom of the press. We have our favourite papers. We administer many of these papers, but I understand that at least one very respectable paper, a very much read paper, has drawn from these hearings as they have thus far developed, the conclusion that co-operation has failed and amalgamation now is inevitable. I should like to ask Mr. Fairweather right here and now his view on that particular point, and I should like also to ask the Chairmen and the two respective leaders if a paper in Canada, whether high or low, no matter whence it comes, has a right to prejudge and determine questions that have thus far been considered before we hear the entire subject-matter that is to be discussed.

Hon. Mr. PARENT: That has nothing to do with the committee.

Hon. Mr. MURDOCK: I should like to ask Mr. Fairweather whether he believes co-operation has unquestionably failed. I think he would say yes. I think he has already implied "yes" repeatedly, that voluntary co-operation is an absolute failure. I think we all agree on that, but the question I should like to ask is whether amalgamation is now inevitable.

Right Hon. Mr. MEIGHEN: You had better give him the answer you gave me.

[Mr. S. W. Fairweather.]

The WITNESS: That might be fitting, but I think my evidence stands on its own feet. I would only be reiterating. My evidence stands on its own feet. If a paper chooses to take something out of my evidence which is not there, that is just too bad.

By Hon. Mr. Parent.

Q. You are not the editor of the paper.—A. I am not the editor of the paper. My evidence stands for itself.

Hon. Mr. MURDOCK: Then may I ask the two respective leaders, and the chairman, whether any publication in Canada has the right, or is considerate of the rights and privileges of this special committee which will report to the Senate of Canada later or is consistent, to draw conclusions and state views and beliefs in that way?

Hon. Mr. COTE: It is just taking a chance of being wrong.

Hon. Mr. MURDOCK: May I have an answer?

Hon. Mr. ROBINSON: They are not on the witness stand.

Hon. Mr. MURDOCK: No, but they surely would give an opinion of the propriety of the things which are alleged.

The CHAIRMAN (Hon. Mr. Beaubien): I certainly hold ideas as to that, but I would prefer the leaders to express their own views before I express mine. This is a very mixed question. It is not a matter *sub judice*; it is not before a court. This is a political body, so I presume I cannot give you the answer I would if this was a matter before the courts. As it is before a political body, my duty is to bow down to both sides.

Some Hon. SENATORS: Oh, oh!

Hon. Mr. COPP: I should like to ask Mr. Fairweather—

The CHAIRMAN (Hon. Mr. Beaubien): Wait a minute.

Hon. Mr. COPP: —following up the remark of Senator Black with regard to the five roads in the province of New Brunswick.

Hon. Mr. BLACK: I only picked those five out of a large group because they were all in one centre.

Hon. Mr. COPP: I only want to get the record straight. The roads include Hampton to St. Martins, Petitcodiac to Havelock, Petitcodiac to Elgin, Moncton to Buctouche, and Kent Junction to Rexton and Richibucto. Now, assuming that this committee could impress upon the Board of Railway Commissioners that they were utterly wrong in their decision or that your recommendations could be carried out, how many miles of rail would that comprise, or how many miles would be abandoned?

The WITNESS: I could have that in a minute or two, sir.

By Hon. Mr. Haig:

Q. I should like to ask the witness a question, and if I may I shall use the book and the map. Can you tell me what is the cost of the operation of the road from Portage la Prairie to Regina and what your revenues have been covering the last five years?—A. I could not cover that offhand.

Q. Can you give us that information?—A. Not in that form. The records are not available.

Q. I am one of those who think the road is absolutely unnecessary, because you have a road here and one there, and a great highway right down there (indicating on map).

Hon. Mr. CALDER: How many towns and villages are there along that road?

Hon. Mr. HAIG: Originally there were not any. This is the main line of the Canadian Pacific; here is the main line of the C.N.R.; here is another line and the river is there. The land is of a broken character all along here, and the railroads are close together here (indicating on map).

Hon. Mr. CALDER: That is all developed country?

Hon. Mr. HAIG: Yes.

Hon. Mr. CALDER: What is the distance?

Hon. Mr. HAIG: From here to there I do not know what is the distance but here you can see one train from the other.

Hon. Mr. CALDER: It is my recollection that along that railway there are towns and villages and elevators and all kinds of business institutions. You cannot compensate towns and villages and elevators and everything like that.

By Hon. Mr. Haig:

Q. I should like to know what is the revenue and what is the cost for, say the last five years.—A. Well, sir, I am afraid we have not got the information in just that form. We have enough information, with our background of experience, to know approximately what the situation is. These lines you mention are all under joint study.

By Hon. Mr. Parent:

Q. Have they been run at a loss or at a profit?—A. Some at a loss, some at a profit. There is no doubt that a certain amount of duplicate mileage can be eliminated in that territory—parts of it. I would not say you could eliminate all of it.

Hon. Mr. DANDURAND: Mr. Chairman, I happen to know that for family reasons—there is sickness in his family—it would be cruel to prevent Mr. Fairweather from taking his train at 6.30, and I understand there are members around this table who would like to put a few questions to him resulting from the examination that has been going on this week. We might then ask him if he could come back on Tuesday morning to close his evidence and allow members of the committee to put a few questions.

There is one question I should like him to be prepared to answer. He has given us a statement as to the situation of roads covering 2,098 miles. He has explained what has been going on between the two railways concerning those various roads. It did not occur to me, while he was expressing an opinion concerning those roads that there seemed to be any difficulty about the two roads coming together on a solution, and either agreeing that there is an economy or that with further study they might reach a conclusion and some economies. It did not strike me that there was any necessity for coercion in reaching a conclusion on those 2,098 miles, and I would ask Mr. Fairweather to examine into those 2,098 miles to ascertain if there is a fair sentiment of co-operation between the two railways, tending to a solution.

The WITNESS: Yes, sir, I will give consideration to that.

Hon. Mr. CALDER: There is another question, or two, that eventually will have to face. I will take the instance given by Senator Black. The railway company or companies concerned made the necessary surveys, they got all the data upon which to exercise a judgment, and they came to the conclusion that an application should be made for the abandonment of the road. The application goes to the Board of Railway Commissioners, and it is rejected. Now, the point upon which I think we should like to have information is as to the condition of the present law in so far as the Board of Railway Commissioners is concerned, as to whether that law should be changed and if so, in your opinion, in what regard. You see my point. The Board is evidently operating along certain defined principles. Mr. Meighen has said

[Mr. S. W. Fairweather.]

gested that if these principles prevail we cannot look for any relief at all from the Board of Railway Commissioners. So this committee may be faced with the question of the advisability of altering the law and of citing in it the principles that must prevail. I have not the law before me. I do not know that I have ever seen it.

Now, the other question is this. You have repeatedly said that co-operation as it has existed up to the present time, or as it has operated up to the present time, has failed, and that in your opinion co-operation will only succeed if the element of compulsion comes in.

Our committee is faced with another question. How are we going to apply that compulsion? If we set up an arbitral board, wherein is our present law and all the other machinery defective? Must we provide in the law to make certain that compulsion will take place? Do you follow me?

The WITNESS: Yes, sir.

Hon. Mr. PARENT: Following the suggestion of Senator Dandurand, we must take into consideration the fact that Mr. Fairweather has been before this committee for a long time, and we must pay him the compliment of saying—and I for one wish to do so—that his remarks have been very illuminating. Is it fair that one man should be called upon to sit here all this time and be subject to all kinds of questions without having any time to rest? Could not some of the C.P.R. people give their views in the meanwhile? Then we might be in a better position to ask questions. I think it is unfair that one man should be on the stand for hours and days and be asked to reply to so many questions.

Hon. Mr. CALDER: So far as my questions are concerned, you may forget them for the present; but before the committee ends, let us have your views.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, it is 6 o'clock. For many reasons we want to relieve Mr. Fairweather, who, I think, is very well able to defend himself.

Hon. Mr. PARENT: But there is a limit.

The CHAIRMAN (Hon. Mr. Beaubien): We will ask him to come back on Tuesday. Is it your pleasure to adjourn to the usual time, a quarter to eleven on Tuesday?

Hon. Mr. BLACK: May I ask a question, Mr. Chairman? Would the committee be further advanced or better informed if we followed the suggestion made by Senator Parent and heard something from the Canadian Pacific, got the story of the other side, before we asked Mr. Fairweather to complete his evidence?

The CHAIRMAN (Hon. Mr. Beaubien): I understand that Mr. Fairweather is nearly through, and that Colonel Biggar plans to call upon Mr. Armstrong, a Canadian Pacific representative, immediately Mr. Fairweather concludes. Does that meet with your view?

Hon. Mr. BLACK: Only in part. I think that eventually, after we have heard Canadian Pacific representatives, we might want to ask further questions of Mr. Fairweather or some other officer of the Canadian National.

The CHAIRMAN (Hon. Mr. Beaubien): They will be at our disposal.

The Committee adjourned until Tuesday, May 17, at 10.45 a.m.

EXHIBIT No. 43

C.P.R. PROPOSAL FOR LINE ABANDONMENT—MILEAGE COMMON TO C.N.R. AND C.P.R.—DUFF
COMMISSION—1932

Between		Railway	Mileage
Middleton Junction.....	Granville Centre.....	N	22
Grand Falls.....	Edmundston.....	P	27
Scott's Junction.....	Harlaka.....	P	16
Farnham.....	St. Johns.....	N	13
Dombourg.....	St. Marc.....	N or P	23
Soulanges.....	Cornwall.....	P	27
Arnprior.....	Renfrew.....	N	17
Payne.....	Eganville.....	P	19
Federal.....	Capreol.....	N	109
Lyn Junction.....	Forfar.....	N	31
Glen Tay.....	Whitby.....	P	164
Ronnac.....	Greenburn.....	N	35
Palgrave.....	Collingwood.....	N	42
Lindsay.....	Coldwater.....	N or P	56
Linwood.....	Listowel.....	P	16
Glencoe.....	Kingscourt.....	N	21
Woodstock.....	Walkerville Junction.....	P	135
Beaverton.....	Long Lac.....	N	141
Nakina.....	Paddington.....	N	64
Nipigon.....	Current River.....	P	63
Conmee.....	Superior.....	N	59
Beach Junction.....	East Selkirk.....	N	24
Rugby Junction.....	Morris.....	P	40
Elm Creek.....	Plum Coulee.....	P	40
Portage.....	Gladstone.....	P	35
West Tower.....	Deer.....	N	22
Carberry.....	Carberry Junction.....	N	19
McGregor.....	Varcoe.....	P	55
Gautier.....	Miniota.....	P	44
Forrest.....	Wheat Land.....	P	19
Brandon.....	Maryfield.....	N	75
Holmfield.....	Deloraine.....	N	51
Binscarth.....	Inglis.....	P	24
McCauley.....	Virden.....	P	36
Maryfield.....	Peebles.....	P	71
Worrell.....	Moose Jaw Junction.....	N	39
Young.....	Colonsay.....	N or P	16
Saskatoon.....	Unity.....	P	120
Bruderheim.....	South Edmonton.....	P	33
Edmonton.....	Kerensky.....	NAR	45
Carbondale.....	Morinville.....	NAR	5
Tofield.....	Barlee Junction.....	N	23
Warden.....	Alix.....	N	22
Red Deer Junction.....	Rocky Mountain House.....	N	55
Grainger.....	Barlow Junction.....	N	47
Lake End.....	Cowichan Lake.....	N	31
Log Dump.....	Deerholm.....	N	7
			2,098

MILEAGE SUMMARY

<i>Duplicate Lines (Competitive)</i>		
Agreed jointly to be abandoned or abandoned.....	517	
Jointly studied and rejected.....	419	
Under study.....	830	
		1,766
<i>Branch Lines (Non-competitive)</i>		
<i>Canadian National Lines</i>		
Abandoned.....	58	
Studied and rejected.....	174	
		232
<i>Canadian Pacific Lines</i>		
Results of studies (if made) unknown.....	100	
		332
		2,098

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 9

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESS

Mr. S. W. Fairweather, Director, Bureau of Economics, Canadian
National Railways.

EXHIBITS

No. 44. C.N.Rys. Distress Budget. Five-year period (1932-1935). Not
printed.

No. 45. Line abandonments. Details of various programs. Not printed.

No. 46. Schedule of functionally duplicate railway lines which might
be abandoned, referred to by Mr. Fairweather May 11, 1938, page 197.

OTTAWA

J. O. PATENAUDE. I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1938

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, May 17, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.45 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, I very much regret to tell you that on account of a sudden bereavement in his family, my colleague, the Right Hon. Mr. Graham, will be unable to attend. Shall we proceed now?

Several Hon. SENATORS: Carried.

S. W. FAIRWEATHER (examination resumed).

By Mr. Biggar:

Q. Mr. Fairweather, the committee asked that you should be in attendance this morning in case any members wished to ask you any further questions.—A. At the last hearing I was requested to make available to the committee certain data, and I have here copies of it, which I presume will be filed.

Q. What does that cover?—A. They relate to matters I was asked to file particulars of—details of various estimates, list of line abandonments, and findings of that character, sir.

Q. Were those attached to your two reports?—A. They are in the nature of exhibits illustrating the reports and the evidence I had given. They are exhibits Nos. 42, 44 and 45. Then there is the statement which was requested showing the details of the 1,000 miles that I referred to as being functionally duplicate.

Q. The list is an additional exhibit?—A. Yes.

Q. It will be Exhibit No. 46.

(Schedule of functionally duplicate lines which might be abandoned, referred by Mr. Fairweather, May 11, 1938, filed and marked Exhibit No. 46.)

The WITNESS: Senator Dandurand at the close of the last hearing asked me to express an opinion as to whether or not compulsion is necessary in order to reach a conclusion as regards the abandoning of duplicating lines of railway. Was that the question, Senator?

Hon. Mr. DANDURAND: It seems to me my inquiry bore on the 1,800 miles

The WITNESS: You mentioned 2,098 miles.

By Hon. Mr. Dandurand:

Q. Yes. You spoke of these 2,098 miles, as to some of it having been rejected by mutual consent, and other lines were still under study. As to some you have reached a satisfactory conclusion. I asked if the necessity for compulsion was in your mind in reaching a conclusion covering those 2,098 miles?—A. Yes, sir. You will understand that the 2,098 miles comprised not only parallel and

duplicate lines, but it also included some exclusive lines of each company where the question of duplication did not exist. With regard to that second class of lines, the Canadian National has done everything that it could do. We have studied every one of those lines, and we have applied to the Board of Railway Commissioners for permission to abandon where we thought we had any chance of doing so. Of course, I would have no knowledge of what the Canadian Pacific had done in regard to lines of that character.

Q. Of course, compulsion would not apply there?—A. I should say not, sir. Therefore I thought the gist of your question was that with regard to that portion of the 2,098 miles which were what we called functionally duplicate, that is, they either closely paralleled other lines or they performed nothing except a competitive local function, you desired an answer. My answer is this. If time is not a vital factor, then, in my opinion, ultimately agreement might be reached as regards most line abandonments, although the Canadian Pacific has not yet agreed to abandon a mile of any of its main lines which parallel Canadian National main lines. If it is the desire to obtain the line abandonments with the greatest possible expedition, then I feel that in some way an element of compulsion might with advantage be brought in.

Now, Senator Calder asked my opinion as to the present law in so far as the Board of Railway Commissioners is concerned, as to whether the law should be changed and, if so, in what regard. My answer is this: I take it that Senator Calder has in mind the applications for the abandonment of lines of railway which were refused by the Board of Railway Commissioners. As I understand it, the present law is based upon broad considerations of public convenience and necessity. From many points of view the abandonment of a line of railway leads to such a restriction of economic opportunity in the territory served, that I would hesitate to suggest any definite provisions interpreting public convenience and necessity. At the time of the Royal Commission, Sir Henry Thornton, Chairman and President of the Canadian National Railways, made certain suggestions to the Secretary of the Commission, feeling that if they were approved it would considerably strengthen the case of the railways in dealing with line abandonments. I have Sir Henry's letter here if you would care to hear it.

Some Hon. MEMBERS: Yes.

The WITNESS: It is dated Montreal, February 16, 1932, and reads:—

Dear Mr. MOXON:

The problem of the abandonment of unprofitable railway lines or duplicating parallel lines is one most difficult of solution. The experience of the present management of the Canadian National, gained during the period when the properties were being consolidated, indicates that in the absence of definite standards by which a proposed abandonment can be judged it is extremely difficult to obtain the necessary authorization. In my opinion it would be distinctly a forward step if the Commission could see its way clear towards setting forth the principles which should govern abandonment of lines. The principles might take some such form as the following:—

Abandonment of unprofitable railway lines:

By an unprofitable line is meant one, the revenue from which, after a proper credit is given for a share of system earnings, does not exceed the out-of-pocket operating and maintenance expenses, no account being taken of fixed charges or general overhead cost. The owning or operating railway should be permitted to abandon unprofitable lines despite any previous obligation when—

- (a) There are highways reaching the same territory which are fit to carry auto vehicles and those highways can be maintained and used during all seasons and weather.

[Mr. S. W. Fairweather.]

- (b) The traffic now carried by the railway can be reasonably carried by auto vehicles.
- (c) The district generally has reached its natural development and rail transportation is not required for its further growth.

Abandonment of duplicate or parallel railway lines.

Duplicate or parallel railway lines may be defined as those which commence and end at common points. The two lines may be in proximity, or may be distant at different places between common points. One of the duplicate lines or parts of one or of both, should be abandoned when:

- (a) The amount of traffic in normal times on both lines is insufficient by a material margin to congest one line, i.e., when one line can not only handle the present business of both lines, but is capable of moving any reasonable growth in traffic which may be expected to develop in the area served over a considerable period.
- (b) The highways from stations on the line proposed to be abandoned to stations on the line to be maintained are as good and as serviceable as the highways leading to the stations on the line proposed to be abandoned.
- (c) The extra distances necessary to reach stations on the line to be maintained as compared to the distances travelled to stations on the line proposed to be abandoned are not excessive having regard to the volume of traffic to be moved.
- (d) There are no industries of importance on the line proposed to be abandoned, which, due to their carload or other traffic will be so handicapped by using the retained line that such industries would have to abandon their activities.
- (e) The distance, gradients, alignment of the line proposed to be maintained are reasonably comparable with the line to be abandoned.

I feel that the case of the railways in dealing with line abandonments would be considerably strengthened if the Commission would approve of some such set of principles.

Yours faithfully,

(Sgd.) H. W. THORNTON,

Chairman and President.

Arthur Moxon, Esq., K.C.,
Secretary,
Royal Commission on Railways and Transportation,
Ottawa, Ont.

By Right Hon. Mr. Meighen:

Q. Mr. Fairweather, if those principles were appropriately embodied in the Railway Act as the principles to be followed by the Commission, would their work not likely be more effective?—A. Well, Sir Henry Thornton certainly thought so, sir; there is no doubt about that.

Q. Do you agree with him?—A. Only in this way, sir, and I cannot say that it is in disagreement really. I think the setting up of principles like that would be desirable, but I cannot clear my mind of a suspicion that if those were the only principles that were to guide, we would find ourselves perhaps abandoning lines, and then regretting that we had abandoned them. I can

speaking with some knowledge with regard to that because we have before now investigated lines of railway and said in regard to a particular line, "We are tired of it. We have stood the loss on this line as long as we reasonably should. If there is anything in this country it surely would have been developed by now." Then just about the time we were making up our mind to abandon the line the whole picture changed, and the line which we thought had no possibilities turned out to have very distinct possibilities. That is the only reservation I would make, sir.

By Hon. Mr. Calder:

Q. That must be exceptional.

By Right Hon. Mr. Meighen:

Q. No; because Sir Henry Thornton in his letter covered that very case. He said that if the district has already attained its natural development, so far as certain indications and knowledge will govern one in deciding, then subject to the other principles you bring out, that line may go. Now, why is that not done? If you are going, say, to watch the stars fall from Heaven or expect something else may happen, why, you would not abandon anything.—A. It must always remain an element of judgment, I agree with you, but except in the cases where you have a very long history of lack of development of a line of railway, and lack of a real functional need for a line of railway I would be very chary of being too dogmatic about it, sir. That is all.

Q. Keep in mind that the railway business has been for years and will be for years to come a diminishing business relative to the aggregate business of a country, and other facilities for taking care of traffic are always improving; we are likely to go too slow rather than too fast in the matter of abandonments.—A. Well, sir, all I desired to make clear was that I think principle of that character, if incorporated in legislation, would certainly make it easier to abandon lines of railway. The reservation which I placed upon it was simply a general reservation that, overriding everything, there is this other possibility which should be taken into account.

By Hon. Mr. Dandurand:

Q. But this surmise as to the future development would come before the board necessarily?—A. Quite, sir.

By Hon. Mr. Haig:

Q. Apart from mineral development or anything else that looks like development, which the board could not see at the time?—A. I would not want to be too definite, sir, because I have in mind a case like this. It may sound rather far-fetched, but I know it is a typical case. For instance, I have in mind the case where an industry based on kelp off the shore is under consideration in certain territory. If a person did not know about that, it would be almost an absurdity to talk of an industry being based at a point where there would have to go out to sea, gather the kelp and turn it into fertilizer and distribute the product by rail. I do not want to be too definite about the possibilities of industrial development in any particular part of Canada, because I do not think you can say with absolute certainty that there is no chance for development. But, on the other hand, I do not want to say that needed economies should not be put into effect. All I want to say is that we should not put down too hard and fast a formula by which this should be judged. That is all.

[Mr. S. W. Fairweather.]

By Hon. Mr. Calder:

Q. Mr. Fairweather, as I understand the situation at the present time, the law provides that the board shall take into consideration the question of public service and convenience in very general terms and, I presume, in very brief terms.—A. Yes, sir.

Q. Now, suppose the principles laid down in that letter were applied to govern the abandonment of railways with power to modify those principles, say after approval by Order in Council, to meet very exceptional circumstances—I am only giving you a rough idea of what I have in mind. At present the board is required only to take into consideration public service and convenience, and that may be interpreted by the board in any way they please. My own view at the present time is that if the law were extended in such a way as to show the clear intention of Parliament as to what should be taken into consideration more in detail in connection with the abandonment of these lines, don't you think you would get along a little faster?—A. Yes, sir. You and Senator Meighen have really put my thought much more clearly than I did. I think such a thing would be desirable.

Q. And if some principles were laid down to govern the board, principles which they would be empowered to change from time to time as necessity arises—as they get a better knowledge of the whole situation, such change to be approved, if necessary, by the Governor in Council, don't you think it would be advisable?—A. Yes, sir, I see your point, and I agree with you.

By Right Hon. Mr. Meighen:

Q. Mr. Fairweather, on another phase I should like to get some data, that is, as to whether or not the C.N.R. is overloaded in the matter of employment. I have letters on the subject arguing strenuously that they are. I know there is some difficulty in getting a basis of comparison, for the reason that parts of the C.N.R., and large parts, were built from the standpoint of public policy rather than with the objective of direct earnings—profits. But to take a basis which would be to your advantage rather than otherwise, just for that reason, say, the basis of mileage, could you give the committee the average number of employees per mile on your road over the whole system?—A. Yes, sir.

Q. You have not it here?—A. I am not certain.

By Hon. Mr. Dandurand:

Q. Have you given a point of comparison?

By Right Hon. Mr. Meighen:

Q. I do not suppose they could give the other system's. I intend to ask the others for theirs.—A. Of course, Senator, right there you are up against this question of comparability.

Q. I am taking a basis that would be in your favour. You have far the larger mileage.—A. We have more mileage.

Q. You have far larger mileage per unit of traffic, so that you should have considerably fewer employees per mile than the other system, should you not?—I will say this, sir. I have endeavoured to compare the performance of the Canadian National Railway system with other systems, both in Canada and the United States, with a view to developing whether or not there was any clear indication of the Canadian National being better or worse than other lines. It has been part of my job to advise the executives on that particular matter. Now, I want to warn the committee that there is no more tricky question could be put up to an analyst than a comparison of two lines of railway, when he has only knowledge of details of one, and particularly when he is not sure that the accounts he has to deal with are set upon a strictly comparable basis. It is a very tricky—

By Hon. Mr. Parent:

Q. Is it not a fact, Mr. Fairweather, that in a good many cases you are run by the authority of the labour organizations so far as employment is concerned?—A. Of course, that is common to all railways.

Q. Then the comparison, for instance, between the C.P.R. and the C.N.R. would be about equal so far as that is concerned?—A. It gets into a great many phases, sir. I was going on to say this, that it is a very tricky matter. I have done my best with it over a period of years, and for what it is worth I will say this, that I am perfectly convinced that the Canadian National Railway system is not overstaffed, having regard to the problems that it has to face, and that it is efficiently operated as compared with other railways.

By Right Hon. Mr. Meighen:

Q. You could not give us the employees per mile?—A. Yes, sir, I can give you the employees per mile of our line, and I can give you the employees per mile with what that term means. But when you get that term "employees per mile," back of it is a long history of the apportionment, for instance, between—How are you going to count your employees? Are you going to count them when they are on capital work the same as when they are on operating? Are you going to count employees engaged in subsidiary operations, or are you going to confine your answer to those who are just railway employees? I can give you figures, sir, and I can give our definitions. Our definitions are the definitions of the Interstate Commerce Commission.

Q. I would certainly leave out capital employees. Give us those engaged in railway operations.—A. I do not want to get into a lengthy argument, sir, but here, say, we are putting in a bridge. The cost of that bridge is partly chargeable to operation and partly to capital. Here you have perhaps 250 men working on that bridge. You are necessarily pro-rating on a basis of man hours.

Q. You would have to adopt the same method there in the one system as in the other. There should be no difficulty about that.—A. Unfortunately I do not think it is quite as simple as that, but I can give you our figures, sir.

Q. And the basis on which they are arrived at?—A. And the basis on which they are computed.

Q. I should like to get it.—A. With your permission, sir, I should like to file that statement, because I should like to be perfectly certain it is put properly.

By Hon. Mr. Parent:

Q. And you will not make it a condition that the other railways do the same?—A. You can.

Right Hon. Mr. MEIGHEN: I will make that condition.

By the Chairman (Hon. Mr. Beaubien):

Q. I do not think perhaps it is necessary to go to that extent, but I know some people would like to be enlightened on the subject of wages. The rate is the same on both railways?—A. Yes, sir.

Q. There is no doubt as to that?—A. There is no doubt as to the hourly—wait a minute. One has to be a little careful even there. Generally speaking the wage agreements with organized labour are the same on the two railways with minor exceptions, but of course there is a great body of employment that does not come under wage agreements. So you see, sir, there would have to be a reservation there also.

Q. Would you be prepared to give an opinion as to that last portion of labour not coming under the wage agreement?—A. Yes, sir, I would give that. It is my opinion that with respect to the general clerical staff, which is not subject to wage agreements, the rates of pay and conditions of employment are closely

[Mr. S. W. Fairweather.]

similar. With regard to supervisory officers, so far as any records that I have will show, the Canadian National is on a lower basis than the Canadian Pacific on the average.

By Right Hon. Mr. Meighen:

Q. How are they as to the numbers of those supervisory officers?—A. So far as I can tell, they are roughly proportional to the mileage of the railway.

Q. The traffic is proportional to the mileage?—A. The traffic is proportional to the mileage, unfortunately, and there, of course, you get into this situation, that you have in the Canadian National Railways a machine that is just eager for traffic, and if that traffic should come along it can be handled at a very low expense ratio indeed. Any increase in the general prosperity of Canada, any increase in the general flow of railway business, would show very remarkable improvements in the gross earnings and the net earnings of the Canadian National system—very remarkable.

Q. Unless you continued to go up in expenses.—A. There is the point.

Q. While you are going up in expenses on lower business, what are you going to do if business improves?—A. I suppose you are referring to the first three months of this year?—

Q. Yes.—A. That is a very logical explanation of that. It was good business to have our expenses go up in the first three years except as regards the portion of it due to wage increases. Measured by every measure of business judgment, it was good business to have our expenses go up as they did, and I will tell you very simply why. We—that is the Canadian National Railways—saw traffic starting to slip away last fall. We also saw wages increasing, with a schedule of wages where, as the period went on, the wage restoration was given back gradually to the men. We also saw material prices increasing. Now, if a short term view of the situation had been taken, and if you desired to make a quick reduction in your expenses, it would have been possible to have done that, particularly in the matter of our shop employees—to have closed down the shops. But if you approach the matter from the standpoint of sound business administration, you get a somewhat different picture, because we had locomotives and cars which could be repaired. We knew we did not need those cars and locomotives at the moment. You could not justify the repairing of those cars for a present need. But they had ultimately to be repaired. Ultimately we had to make the repairs of that equipment this is what would have happened. We could have been denied the use of an adequate supply of equipment when traffic returned. But more important than that, and of very direct money value, is this, that if you had delayed the repair of that equipment, when you got to the point of having to repair it you would have had to pay increased prices for materials, which we saw, and you would have had to pay the increase in rates of pay. Consequently it was perfectly sound business to take the lower rate of wages and employ it during the winter months, and to avoid the increasing price of materials to repair the cars and locomotives and put them aside in a condition of use, because the saving which we made in wages and in price of materials was much more than the interest on the amount of money which we would lock up in these repairs. It was therefore perfectly sound business to do this. There was no other, let us say, the humanitarian reasons—

Q. Before you pass to the humanitarian reasons, the inference must be drawn that the other system did not use the same sound judgment that you did.—A. Sir, it would not be proper for me to say anything except in regard to the Canadian National Railway system. I simply say that we had cars, and we knew that if we repaired them subsequently we would have to pay higher wages and, in all probability, higher prices for material. So we deliberately elected to go on with the first three months of 1938 with an unfavourable showing, knowing that if we were pursuing the policy of sound administration.

Q. Would not that depend on how long you would have to wait to utilize this improved equipment?—A. Yes, sir, it does to some extent depend on that. And that was taken into account. Even if business continued at a low level of traffic, all that would have happened would have been that in the summer we could take the action that we might have taken in the previous fall, and all we had in jeopardy was the interest upon the money which we had expended, perhaps a million and a half dollars, in keeping the shops open and busy during the winter. Because there can be no sound economic justification for maintaining equipment simply to give employment. You have to maintain the equipment for use, and if the use does not come, then the shops will have to be restricted in their output. But I do submit, sir, that it was perfectly sound administrative policy for the Canadian National Railway system to do what it did in this particular instance. I repeat, it was a good sound business judgment, although when it was gone into it was very definitely known that the result would be a very adverse showing in the first three months of 1938. But we knew it was impossible to lose on account of the wage and material price situation. We stood to gain because if it had happened that business recovered in the last six months of 1938, we would have been in a favourable position, for we would have a lot of class A cars and locomotives to handle that business with. Whereas if we had curtailed we might find ourselves quite short of equipment and have to hire it from United States railways, and it might not have been available, and we would be in a pretty pickle then.

By Hon. Mr. Ballantyne:

Q. Can Mr. Fairweather tell the committee how much cost of material has gone up since the Canadian National decided to make these repairs compared with the level then?—A. I really could not answer that offhand, sir.

By Hon. Mr. Parent:

Q. They raised salaries in one province, so it would cost higher there.—A. I know we budgeted for 1938 for an increase in material costs of 8 per cent over 1937.

By Hon. Mr. Gordon:

Q. In material costs?—A. That is, the average price of materials figured in 1938 would be 8 per cent above that in 1937.

Q. Of course, now it ought to be less.—A. It has not shown that tendency yet.

Q. The tendency is to be less.—A. It has not shown that tendency yet. Then, of course, you must also remember this, that the things which are reflected in our expenses are really the prices—there is a lag due to the fact that we do not buy and use equipment the day we buy it. It has to be taken into stock and then charged out.

By Right Hon. Mr. Meighen:

Q. But there is as a matter of fact a lower level of commodity and material costs now than there was in 1937. All metal costs are down.—A. The situation with regard to that is simply this. As to labour, there can be no possible doubt that under the wage agreement the increases were there, and they were there to be faced. They ran out in the spring, and any work we did prior to that we had distinctly the advantage in lower wages. With regard to prices of material, such information as I have is that we had the advantage there to

By Hon. Mr. Sinclair:

Q. On page 6 of the proceedings our counsel tabled an exhibit, No. 1. In the table attached thereto, which refers to grain and grain products loans [Mr. S. W. Fairweather.]

in the Prairie Provinces, it gives the tonnage from 1923 to 1937. The five-year average previous to 1928 ran about 14,000,000 tons. This has been reduced in 1937 to 6,000,000 tons. I take it this table represents products that do not come in very much for highway competition. It is strictly rail business, as I understand it. I should like to ask Mr. Fairweather what result it would have on the earning power of his road if we were to return to normal production in those provinces. I should like him to give us a review in perspective of what the future has in store.—A. It seems to be my fate that I have to make estimates.

Q. Educated estimates.—A. We will call them educated guesses. But as part of my job I have to carry on studies just such as that indicated by the question. I did make a study of this particular question. This study was designed to show the direct and indirect effect upon the Canadian National railways of what might be called a reasonable average crop and of a bumper crop, as compared with the crop failure which we experienced in 1937. When you get into these estimates you have got to deal in millions, because you cannot touch any problem of the transportation economy without dealing in very large figures. I set as a minimum crop the crop of last year, 165,000,000 bushels, and I compared that with a crop of 400,000,000 bushels. Now, in the direct movement of grain and grain products, I estimate that the difference in a year—that is the effect of that crop, the difference between 165,000,000 and 400,000,000—would represent for the Canadian National Railway System \$17,000,000 of gross revenue.

By Hon. Mr. Calder:

Q. That is on hauling the grain alone?—A. That is the grain alone. But that only begins to open up the picture, because if you assume that a 400,000,000 bushel crop is harvested in Western Canada and marketed, the wealth that is produced by that crop will permeate the whole economic fabric of the country, and the railways will respond to that condition, because everybody will be traveling in some degree, and will be shipping goods, because they will be buying more, selling more and producing more. Now, it is interesting to note that that secondary effect of the distribution of wealth is more important than the primary movement of the grain. It amounts, according to my figures—I am trying to give the touch of, I won't say reality, but trying to bring it down to perspective—it amounts in my opinion to about \$20,000,000 additional of gross revenue, so that the two things combined would produce \$37,000,000 additional gross.

Of course, that is not all of the picture, because you have the cost to consider, and on the movement of grain we have, in the interests of the national economy, shaved the freight rate on grain down pretty thin, with the object of having as much wealth as possible in the hands of the farmers. The result is that that \$17,000,000 of additional direct revenue, after charging the out-of-pocket expenses that would go with it, I estimate that approximately \$1,500,000 would be left. But with regard to the other \$20,000,000, that is traffic in which the rate is much more profitable; and on that business we would get, in my opinion, over \$10,000,000. So, to sum it up, we would get an increase of about \$7,000,000 in gross revenue, and an increase in net of about \$12,000,000. That on the basis of an average crop. If you come to a bumper crop—and a bumper crop I define as 560,000,000 bushels—the figures would show a total increase in gross revenue of \$62,000,000, and in net revenue of \$20,000,000, and that lends point to what I previously was saying as to what would happen to the Canadian National if traffic really should come back to something like what it used to be.

By Hon. Mr. Sinclair:

Q. The rates you charge for carrying wheat are not lower than the rates allowed by the Board of Railway Commissioners?—A. Oh, no, but they are the lowest rate on which agricultural products move in any country in the

world, and I think I am correct in saying that they are just about 50 per cent of the rates in effect in similar territory in the United States for a similar distance. I am not complaining about that. I think that is perhaps a wise arrangement.

Q. To some degree it is a competitive rate?—A. No, sir, not in this sense because it has to move to water. The rates to which I refer are all-rail to water. For instance, there is the rate to Chicago in the United States, or New Orleans or Galveston or Portland, and in Canada the rate to Vancouver, to the head of the lakes or the Hudson Bay terminals.

By Hon. Mr. Murdock:

Q. Mr. Fairweather, could I ask you a question? You dealt rather conclusively with the falling off of revenue and the increase of expenses in the first three months of this year. May I read a short item, and then ask the question? This is the item from yesterday's paper:—

April Railroad Gross Off in United States

Washington, May 13.—Preliminary reports from eighty-nine Class I railroads show that those carriers in April had estimated operating revenues totalling \$212,144,437 as against \$280,840,733 in April, 1937, a decline of 24½ per cent, the American Association of Railroads announced.

The eighty-nine roads estimated April freight revenues at \$165,780,624, as against \$229,635,923 in April 1937, a drop of 27½ per cent. Passenger revenues in April declined only 5½ per cent below April, 1937, totalling \$25,943,513 as against \$27,392,043 last year.

The eighty-nine reporting roads represent 79½ per cent of total railroad operating revenues.

May I ask the question now, what is the business of the Canadian National Railways in April compared with the showing?—A. Well, I would have to refer to records to answer accurately. I could not answer offhand, Senator.

By the Chairman (Hon. Mr. Beaubien):

Q. Will you give your answer?—A. I could not answer offhand.

By Hon. Mr. Murdock:

Q. It is a rather interesting statement of practically 80 per cent of the railroads in the United States in April. We know fairly well what happened in Canada for the first three months. What happened in the Canadian National in April of this year in comparison with those figures?—A. Well, sir, I do not want to give an answer without being perfectly sure that it is correct, and I do not know the exact detail of this particular answer. My general impression is that the decline in business was not as acute in Canada as it was in the United States. I know that to be a fact with regard to our United States connections. The business there has declined much more than the Canadian business. The Canadian business has not slumped as much as the United States business, as far as gross revenue is concerned; therefore I do not think it declined as much as in the United States.

With regard to our expense picture, it, of course, is affected very materially by the deliberate policy of maintaining the shops in work, and I would hesitate to say just how our net revenue from operations is as compared with the Class I railroads in the United States. But I do say this, that if allowance is made for that factor, I do not think the Canadian National Railways would show up unfavourably.

[Mr. S. W. Fairweather.]

By Hon. Mr. Buchanan:

Q. You were following that policy in respect of shops in April. Is it still being carried out?—A. It is my recollection that it will continue—it is continuing, but in reduced amounts—and that Mr. Hungerford, knowing the situation and knowing that it was reasonably good business practice to do what we did, said to the men, “We will assure you of employment during the winter months, but we can give you no assurance in the face of traffic trends beyond that.” Consequently there is a declining employment in the shops. There was no question of that, as you may recall, when steps were being taken to reduce shop staffs, as to how it should be done. The company wanted the men to divide the work, and certain of the men wanted to throw the junior men out of employment. But that was adjusted, I think, up to the 1st of June.

Starting with the 1st of April the shop staff was diminished either in hours of work or by the actual laying off of men, and unless business shows a very definite upturn there will have to be further recessions in shop work, because it is utterly senseless to maintain more than a reasonable amount of equipment in advance of requirements.

Q. Before we get away from Senator Sinclair’s question, let me ask you something further. You dealt with the movement of grain and the revival of purchasing power and the removal of other goods?—A. Yes, sir.

Q. What would be the effect of a \$400,000,000 crop on employment? Have you made a study of that? You have a very considerable number of employed railway men, some of whom may be on relief. Would there be a further considerable revival of employment throughout the country as a result of the crop?—A. Every dollar of wealth that would be created by such a crop, compared to a scant crop, would be translated of necessity into the application of human labour to human needs.

By Right Hon. Mr. Meighen:

Q. To the extent of 90 per cent?—A. Yes, sir. I have quoted figures of \$400,000,000 as what a bumper crop means to the Canadian National. What it means to the people of Canada would be measured in hundreds of millions.

By Hon. Mr. Hugessen:

Q. I wanted to ask a question in reference to the evidence you gave at the last session of the committee about the C.P.R. estimate given to the Royal Commission of a possible abandonment of 5,000 miles of railway. That, I suppose, was predicated on unification, was it?—A. Well, yes, I think it must have been.

Q. Was it accompanied by any estimate of total savings which might be effected by unification? Was any estimate submitted to the Commission by the C.P.R., and if so, I should like to know what those items were, and how much the abandonment item accounted for in the total.

Hon. Mr. HAIG: Is not that a C.P.R. question?

Hon. Mr. HUGESSEN: I am asking what the C.P.R. submitted to the Commission.

Hon. Mr. HAIG: We can get the information in the report. It is in the report.

Hon. Mr. HUGESSEN: I was going on to ask Mr. Fairweather what his estimate was in the light—

Hon. Mr. HAIG: Would it not be better to hear the C.P.R.’s case first, and then ask him? I think it would be fairer to Mr. Fairweather.

By Hon. Mr. Hugessen:

Q. I was asking whether, as a matter of fact, they did make an estimate in 1932, and what that estimate is now in the light of the conditions that

have evolved during the last six years?—A. Well, of course, it is common knowledge that the Canadian Pacific did present a plan to the Royal Commission, and that that plan purported to show economies of \$75,000,000 a year.

By Hon. Mr. Cote:

Q. That is as compared to \$56,000,000, which was your figure?—A. I would not say as compared with my figure, because my estimate of \$56,000,000 had qualifications attached to it of which the Commission was well aware. I believe the Canadian Pacific estimate was presented to the Commission as something that was realizable. I never presented an estimate to the Commission that \$56,000,000 was realizable. There is that difference. But I will say this, generally speaking, about an estimate of \$75,000,000 or an estimate of any kind which holds promise of economies measured in scores of millions applied to the railway situation in Canada, that in my opinion it is not reliable. I said that to the Royal Commission with regard to my \$56,000,000 estimate, and I would say it with even more force with regard to an estimate that gave a larger figure.

By Hon. Mr. Calder:

Q. Do you think the abandonment of 5,000 miles is possible?—A. My evidence the other day should be very clear on that point. I say that contrary to a widely spread view, the amount of mileage that can be safely lifted and which can in any sense be said to be a result of duplicate railway building, is limited. Canada, as a matter of fact has not got that tremendous excess of functionally duplicate lines which has sometimes been indicated.

By Hon. Mr. Hugessen:

Q. Can you answer this question? Do you know what proportion of the total estimated savings of \$75,000,000 were represented by the proposed abandonment of 5,000 miles?—A. Well, it runs in my mind as I recall the evidence presented by the Canadian Pacific, that they requested an allocation of their \$75,000,000 to line abandonments. I am not quite certain of this, but I think they allocated \$16,000,000 a year to the abandonment of those 5,000 miles of railway, or somewhere around \$3,300 a mile. I may not be accurate in that.

By Hon. Mr. Calder:

Q. On what has already been abandoned, if my recollection is correct, the estimates you have given us the savings are placed at about \$1,000 a mile?—A. Yes, they have been, and that figure applies with equal force to the abandonments made of duplicate lines, and also to lines which are not duplicate but which are simply thin traffic lines. Of our program of 600 miles of lines which we put in to the Board of Railway Commissioners, it runs in my mind that our average estimated economy was of the order of around \$800 a mile, and that with regard to the functionally duplicate lines where we have reached agreement with the Canadian Pacific, the figure is approximately the same.

By Hon. Mr. Parent:

Q. Of course you find no instance where you have abandoned lines which have afterwards proved to be of benefit to the C.P.R. For instance, if I wish to call attention to the fact that from the Quebec bridge to below the Champlain monument in the city of Quebec, the Canadian National has abandoned a line which is now being used by the Canadian Pacific, are we from that to draw the conclusion that the C.P.R. is better managed than the Canadian National?—A. There is a story attached to that. At the time when the Canadian Pacific

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were considering the construction of a tunnel connecting their lines in Quebec at Wolfe's Cove, which they did construct, we thought—and this was long before any C.N.-C.P. Act—that an economy would be indicated; that if they would use our line down there it would save them the cost of a tunnel and allow us to get a little revenue from this line. I know I suggested to Sir Henry Thornton that he approach the Canadian Pacific with a view to having them use our line and save the expense of the tunnel. But apparently nothing came of it.

By Hon. Mr. Calder:

Q. As I understand you now, you state this: that where abandonments have taken place up to the present time the average saving is in the neighbourhood of \$800 a mile?—A. Yes, sir.

Q. Suppose we put it at \$1,000 per mile for the whole 5,000 miles referred to, we would get a gross economy of \$5,000,000?—A. Yes, sir.

Q. Now, if that statement is correct, it seems to me about time the public should know it. We have all had in our minds, and I am certain the public has, the idea that enormous economies would be effected by abandoning portions of the railways. That is what the public have been led to believe, and they believe it to-day. Yet, we have a statement that the railways already have abandoned so many hundreds of miles—both the Canadian Pacific and the Canadian National—and the net saving is only estimated as being in the neighbourhood of \$800 per mile. Now we have the statement deliberately made out if the whole 5,000 miles that were in contemplation were abandoned, the total saving on the part of both railways would be only \$5,000,000. To me this is extraordinary.

By Hon. Mr. Horsey:

Q. You have indicated in your evidence from time to time that you thought an independent body set up with statutory powers would be more effective in bringing about economies in duplicated services and so on. Would you be willing to tell the committee your idea with regard to unification, with this outside body: bringing about this thing in the interests of the railway and of the general public as well?—A. This question of unification is one that I personally have given very serious consideration to, and I want to tell you frankly, and you can believe it or not as you please, that if I thought unification would result in the lessening of the transportation burdens of this country, and that such a lessening could not be achieved in any other way, I would be a unificationist. It is my considered opinion that so far as sane and sensible economies are concerned, they can be made effective without running the risks which everybody admits attach to unification. Now, I want that plainly understood.

By Hon. Mr. Cantley:

Q. What is that risk?—A. Well, that risk is very great. In the first place, there is the risk that you go into unification with the thought that you are going to get large economies, and you do not get them. And that is a very real risk. I would like to illustrate what I mean by reference to another country, because I have been talking about estimates in Canada. We are not the only country in which this question of unification has been held up as a cure-all of transportation ills. In the United States it has had a following, a following which has been identified with the security holders. They had a man by the name of Mr. Borah design a princely plan. That is my weak little pun. It was a most elaborate plan. It aimed at achieving not \$75,000,000 but \$750,000,000 a year of economy in the United States. It was presented in detail, and was put forward with a good deal of force, and a good deal of propaganda, I would say, was attached to it to make it attractive. It was laid before the Government, and the Government through the instrumentality of the Federal Co-ordinator, Mr.

Eastman, turned that Prince plan over for detailed study. That detailed study carved the estimated economy down from \$750,000,000 a year to a figure of, think, about \$215,000,000 per year. That is how much it shrunk when it got into the hands of people who knew the details of railroading.

By Hon. Mr. Hugessen:

Q. Who made the study?—A. A man named Prince.

Q. Who made the examination?—A. The committee set up under jurisdiction of the Federal Co-ordinator.

By Hon. Mr. Buchanan:

Q. Made up of railway men?—A. Oh, yes, representative railroad men charged with the duty of looking at this thing impartially. They were working for the United States Government, not for individual railroads. It was a select committee representing every branch of railroads, to put the acid test on this \$750,000,000 plan. Well, as I say, it shrank in the process to \$215,000,000.

By Hon. Mr. Cole:

Q. I do not like to interrupt you, but it seems to me you have not answered Senator Cantley's question. It was predicated on your statement that if you thought that the only way of making savings would be to have unification, you would be in favour of unification, notwithstanding the risk?—A. Yes.

Q. Then unification, according to that statement of yours, was predicated on the savings being made. I was interested in Senator Cantley's question and I think he wanted to know, assuming we are going to make savings, what are the risks of unification. And your answer is that there will not be any savings. That is begging the question.—A. That is part of my answer, the first part.

Hon. Mr. ROBINSON: Some of us would like to hear this answer.

Hon. Mr. CALDER: He is coming to the other.

The WITNESS: This estimate, then, lay in that position, that \$750,000,000 had shrunk to \$215,000,000, and of course it was still on paper. Now, Mr. Gormley, the executive assistant to the A.A.R.—The A.A.R. is an institution comprised of railways in the United States faced with a very pressing problem. And he in a public address, referring to the Prince plan, said that it was his personal opinion that only \$125,000,000 could be said, under present conditions, to be realizable. All I ask you to do is to survey those figures. Take the \$750,000,000—take these figures in relation to the proportion between Canada and the United States. The \$750,000,000 compares roughly—it is about ten times as great as the estimate which was put before the Royal Commission. And it also compares roughly with my estimate of \$50,000,000, \$56,000,000, that is with the lid completely off, completely ruthless. The new estimate, \$215,000,000, compares with the estimate that I made to the Royal Commission of around \$24,000,000, the \$35,000,000 and the \$24,000,000 estimate, as being one of those things where a railway man would say, "Well, now, this is something that we really can go at."

By Hon. Mr. Buchanan:

Q. But you do not think that \$24,000,000 is possible now?—A. I am coming to that. Under present conditions and having regard to the lack of capital to make these things effective, if you take Mr. Gormley's estimate of \$125,000,000 you get approximately a comparable figure with my estimate of \$10,000,000. I should like to show you that it is a real pressing situation, especially with reference to your last question. Speaking of things that can be done under present day conditions, the A.A.R. in their railroad program—

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By Hon. Mr. Calder:

Q. What does A.A.R. mean?—A. Association of American Railways. They say this: "Many of these proposals have upon investigation proved to be impracticable as calling for prohibitive capital expenditures and sacrifices of rights of property." I simply mention that as showing that there is a factor that qualifies any large scale estimate of economy. Now, with regard to the risks attached—

By Right Hon. Mr. Meighen:

Q. Before you leave that, though, have you not left out a very important factor, that our mileage of railway in Canada is now—I do not know how many times, but some times the mileage per capita that of the mileage of the United States?—A. It is about double, sir.

Q. That would indicate that the opportunity for saving in Canada would be much greater than theirs.—A. But on the other hand, our transportation per capita, the ton miles per capita, is the same as that in the United States. It is a curious thing that that is so.

Q. The ton miles per capita, yes. Our traffic may compare evenly with theirs, but our mileage is bigger?—A. Our traffic is more thinly spread than theirs in a geographic sense, that is per mile of line. But per capita, as related to the wealth production of the people of Canada, we use railroads as much as they use railroads in the United States. And far from making it easier to make economies in this country, it makes it more difficult, because the wealth production in Canada is found upon these thin traffic lines all over the country. And if you go to work and tear those up you will have a big disturbance to the wealth production of the country. So I cannot agree that the opportunity for economy is greater in this country than in the United States. Moreover, you have to consider this, that in the United States you have—I have forgotten how many—lines that have not been consolidated; but in this country we have carried the principle of consolidation down to its logical conclusion. If you are going to keep competition in the picture at all, we have carried consolidation down to the logical conclusion of having two competing systems, and naturally the process a great deal of economy, or opportunity for economy, has already been explored. That, on the face of it, would seem to be fairly obvious. So I cannot agree that the opportunity for economy in Canada is relatively greater in relation to railway activities, than it is in the United States. I would think, on the contrary, that on balance it would be found to be less.

By the Chairman (Hon. Mr. Beaubien):

Q. You have no hesitation in saying that proportionately to production the mileage in Canada is not greater than the mileage in the United States?—A. I think, sir, that the use we are making of railways per head of population is the same in Canada as it is in the States. That is, we use per capita the same amount of ton miles as the average citizen of the United States. And it is a very remarkable situation, because both Canada and the United States stand head and shoulders in that regard over any other country in the world. There is no other country in the world that even comes within an approximation of these two countries in the use they make of railways.

By Hon. Mr. Cantley:

Q. Mr. Fairweather, I do not think you have answered my question yet. What is the risk?—A. The risks are many. I have spoken of one, that in my humble opinion, is this, that rather than a set of economies that you are looking for you would get increased expense. Is that a big enough risk? I maintain yes, that you see the evils of competition between railways and you are apt to assume that there are no benefits. But it is my humble opinion that the benefits

of competition, of a reasonable amount of competition, far outweigh the evil of competition, and that if you take away from the transportation picture of this country, in railways, the cleansing power of competition you are going to see things happen in expenses after a period of years—when the surge of the present training of personnel is passed—you will find things happen to the railways that you never dreamed could happen. I can only say again that I have been a student of railways for a great many years. I have looked all over the face of this world; I have found lots of places where they have unification and where competition is not in the railway picture and where there would be an opportunity for producing cheaper transportation, but I have been unable to find any place in the world where the conditions are at all comparable to the conditions in Canada, where transportation costs as little as it does in Canada. Therefore I say that, having that as a background, there is a very decided risk that if you go and unify these properties you will find yourself in a position that instead of getting these economies which I have already indicated are very doubtful, and in my opinion utterly unrealizable in very large amount, you will have at one stroke violated the premises under which the whole railway functions; and you cannot be sure that the railway under unification will function as it did under competitive conditions. And I think that is a very real risk. I know a little something of how railway employees of the Canadian National have deliberately climbed out on the end of a limb in their enthusiasm for the Canadian National Railways—I am putting it colloquially—and sawed the limb off behind them, because in doing that they had pride in knowing that the National Railways were doing a good job of work. I know that as a fact, but I do not want to press the point. The man who says that competition is an evil, that there is no good in it, that he cannot see any benefit in competition, well, I simply refuse to agree with him. I think that the loss of the competitive incentive of the organizations struggling, for the most part in a friendly sense of rivalry and at times in a bitter sense of rivalry, while it produces on the one hand a waste, it produces on the other hand something that is much greater something very valuable.

By Hon. Mr. Buchanan:

Q. Has the agitation in respect to unification or amalgamation had any effect on the morale of the employees?—A. That is a difficult question for me to answer, but in my humble opinion it has. But I will say this, that the Canadian National employees are a very loyal lot and a very enthusiastic body of employees. And naturally no body of employees likes to be continually accused of being something which they are not.

By Hon. Mr. Parent:

Q. Perhaps the C.P.R. men have the same ideas?—A. I cannot speak as far as the Canadian Pacific is concerned, but I do know this, that the Canadian National Railway is staffed with an enthusiastic and loyal staff and that they do resent the attacks that have been made upon the property and upon them. As to how much effect it has had upon the morale, it may be that it has stiffened them in their desire to do their work even more industriously. I share that resentment; I do not like to have half truths stated about the property. I do not like to have a financial picture which has no relation at all to this condition laid as a responsibility upon the employees, nor do I feel that when the National Railway is used as an instrumentality for the development of Canada that the necessary cost of that, which appears as a deficit against the Canadian National, should make it an object of scorn. I think that is unfair. I know, for instance, that last year we hauled 250,000 tons of Sydney coal from the Maritime Provinces up to the centre of Canada. At what rate? At a rate of half a cent a ton a mile. And we had to haul it down from

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dney over grades that were very adverse; we had to ferry it over the Strait Canso, and haul it from there until we got to Moncton, where we could connect with the National Transcontinental, over grades that were very unfavorable. We lost money on every pound of that coal that we moved, but in the national economy it was desirable that it be moved. And it was moved, and I think we did a good job. But the loss appears in our deficit account. That if a cent a ton will no more than pay for the repairs to the cars and the coal we burned, if it pays for that, because every one of those cars had to come back empty. But that was done for the benefit of Canada.

By Hon. Mr. Cantley:

Q. Not every car went back empty?—A. Every coal car went back empty, I think.

By Hon. Mr. Hardy:

Q. Did the Canadian Pacific co-operate in that movement in any way?—A. No sir, not in that movement.

By Hon. Mr. Horsey:

Q. With regard to the estimated net saving that you spoke of, say under outside board, a saving that I think you estimated at \$10,000,000—A. That under present day conditions, without spending capital.

Q. Is that a joint saving or is that a saving net to the Canadian National?—A. No sir, that would be in my opinion the net joint saving.

Q. That would be divided between the two systems?—A. Yes. But it is under present day conditions and without the expenditure of a large amount of capital.

By Hon. Mr. Cantley:

Q. You intimated that all coal came west in open cars. That is not correct.—A. This particular coal moved in gondolas. It would not be efficient to move it any other way.

Q. A considerable proportion came in closed cars. I know, because I saw it pass every day.—A. If it moved in closed cars, the only reason was that it did not have open tops to move it in.

Q. That may be, but that is another story.—A. The open top car for transportation of coal is ever so much more efficient for transportation of coal than the closed car.

By Hon. Mr. Dandurand:

Q. You spoke of the saving on the lifting of 5,000 miles as represented by the Royal Commission to be \$3,600 a mile. You have lowered it down to \$1,000. Even that original estimate accounts for only a fraction of the saving, \$18,000,000 that it was estimated could be saved, say around \$18,000,000. Is there a statement which showed how the \$75,000,000 was made up?—A. Well, sir, I presume there must be detail available somewhere, and it would be very interesting to see the detail.

Q. What were those details given to the Royal Commission?—A. I could not say definitely about that, sir. All I found in the evidence as printed were excerpts from statements which were apparently filed. I could not find the full statement.

Hon. Mr. MURDOCK: The Canadian Manufacturers' Association, I presume, will be here before we get through, and they have the details, I think.

The WITNESS: Well, sir, I could not say as to that.

By Hon. Mr. Cote:

Q. Have you exhausted the list of risks?—A. No, sir.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, we still have tremendous amount of work to do. I would like you, if you have any more questions for Mr. Fairweather, to put them to him as quickly as possible.

By Hon. Mr. Buchanan:

Q. Would unified management be able to deal with that pooling problem that is impossible under co-operation, that is with regard to the lines west of Toronto on the Transcontinental? Would unified management be able to solve that problem which co-operative effort has not been able to solve?—A. My answer is that it would be a problem which would face unified management but I can see no reason why it cannot be solved under co-operation.

Q. You do not think it is very likely to be solved under unified management?—A. No, sir. I do not know of a single economy, I repeat, that is realisable economy that could be done under unification that cannot be done under co-operation.

By Hon. Mr. Horsey:

Q. If it was regulated and compulsory co-operation?—A. Yes, sir.

Hon. Mr. CALDER: Mr. Chairman, I have a question that I should like to ask Mr. Fairweather, but I rather think our counsel may be able to get the information from the Bureau of Statistics. We have been talking about total railway mileage in Canada and the total population, the number of miles per capita, and so on. Personally I should like to have that broken up, and I think the Bureau of Statistics could do it. For example, I think Canada should be divided into, say, the Maritime Provinces, Ontario and Quebec—leaving out of Ontario, say, the area from the head of the lakes—and the population and mileage for those sections shown. If we had the population and mileage in the Maritimes, in Quebec and in Ontario—leaving out of Ontario, as I say, what is west of Port Arthur—and the same information for the Prairie Provinces and for British Columbia. I think we would get a very much truer picture of the relation between railway mileage and population in Canada. So far as I can see, there is no comparable area in the United States where as much traffic originates in normal years as in our Prairie region.

Hon. Mr. PARENT: I have no complaint to make about that. I do not know whether it would be fair to have Ontario and Quebec joined together and compared with the rest of the country.

Hon. Mr. HAIG: Isn't that the way they are lined up now, politically?

Hon. Mr. PARENT: No.

Hon. Mr. HAIG: What about your Premier?

Hon. Mr. PARENT: It would be better to take Ontario alone and Quebec alone, and compare these provinces separately. Then you would probably find that the province of Quebec has less railway mileage than the rest of Canada.

Hon. Mr. CALDER: But you have the city of Montreal, which is doing the business of Canada.

Hon. Mr. PARENT: We have not the railway mileage that we should have, compared with the rest of the country.

Right Hon. Mr. MEIGHEN: The part of Canada which has the least railway mileage is the North West Territories. It has none at all.

The CHAIRMAN (Hon. Mr. Beaubien): Have you any more questions for Mr. Fairweather?

Hon. Mr. ROBINSON: I suppose we shall have Mr. Fairweather here again. He will be at the disposal of the committee, will he?

The CHAIRMAN (Hon. Mr. Beaubien): Yes. I suppose it is your desire that I should thank him?

[Mr. S. W. Fairweather.]

Some Hon. SENATORS: Hear, hear.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Fairweather, I wish to thank you for having submitted to a long examination, not without an exhibition of remarkable ability on your part.

Hon. Mr. COTE: Does that preclude Mr. Fairweather from completing his answer to Senator Cantley's question?

The CHAIRMAN (Hon. Mr. Beaubien): I thought he had completed that.

A. There are some other points there of grave risk. I shall be very brief. A very grave risk attached to unification is the financial burden of debt which would be put upon the people of Canada, whether they knew it or not. If one has had any criticism of the railway situation in Canada, it has been, perhaps, as to the way in which the financial burden of private enterprises was assumed by the Government, directly and indirectly. Now, under no plan of unification that I can conceive of would it be possible to avoid extending the general-ty of the guarantee of securities to the Canadian Pacific securities as well as to the Canadian National, because the properties, if you are going to seek any large measure of economy, must physically be inextricably scrambled, and they could not be unscrambled. The result is that if everything goes well, of course nothing happens; revenues are large enough to pay the interest on fixed charges and things like that. But if things do not go well, the fixed charges would still remain. I am now speaking of the fixed charges that would have to be met in the Canadian Pacific properties that would come into the enterprise. The people of Canada might wake up one day and find that they had succeeded in loading themselves with an effective structure of railway debt that would be very large indeed.

By Hon. Mr. Black:

Q. Are you not confusing amalgamation and unification of management?—A. I am not confusing them at all.

Hon. Mr. MURDOCK: What is the difference between the two? The dictionary says they are the same.

Hon. Mr. BLACK: They are not in the minds of many people. You might have unified management under the control of the Railway Commission, which could be different from amalgamation. Unified management under the control of the Railway Board certainly does not of necessity mean amalgamation or the scrambling of the railroads.

The WITNESS: In my opinion it means an inextricable scrambling of the properties. If you are going to seek any of those economies you speak about, you are going to re-route traffic, tear up lines and all of those things, and when a man comes and says, "You are not paying interest on my bonds, give me back my bonds," what are you going to say?

By Hon. Mr. Black:

Q. You say that unified management of necessity leads to amalgamation?—A. I do not say that, sir. I say that if you go at unification from the point of view of merging the properties with the objective of getting economies, you will produce a physical result which you cannot possibly untangle. Once you are in for keeps, and when you are in for keeps you are not in a position to free yourself of the burden of debt.

By Hon. Mr. Sinclair:

Q. And it would involve a very heavy capital expenditure?—A. Running to hundreds and hundreds of millions.

Q. Of new expenditure?—A. It would not run into hundreds and hundreds of millions of new capital, but you would have this very large funded debt lying there on the property.

By Hon. Mr. Gordon:

Q. Where is it now?—A. It is on a property now in relation to which, if it cannot meet its fixed charges, there is a simple remedy; but if you scramble it with the people's property, try it then.

Right Hon. Mr. MEIGHEN: I do not dispute at all that it is a very difficult thing to take care of, but I would not agree that it is impossible, because you could easily have a system of management and of abandoning lines, even dividing them up, and a system of protective guarantees following that which would figure all the equities fairly as between the different bondholders and between the Government on the one side and the road on the other. It is not worth while going into that at the present time. I just want to go on record that I do not agree with you that it would be an inextricable thing, as you describe it.

Hon. Mr. ROBINSON: How about the issue of new bonds?

Right Hon. Mr. MEIGHEN: That would have to be taken care of too, with provision for the taking care of them all out of earnings in the shifting plan of the guarantees. It is complicated, but I think it could be done. I do not mean by that it should be done. I want to be persuaded first that the object is worth while.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Ruel is a very excellent lawyer, and was vice-president of your company for years. You know that Mr. Ruel holds opinions absolutely opposed to yours on the subject?—A. I am not in the confidence of Mr. Ruel.

Q. You do not know that he gave a deposition before this committee in which he stated that unification of management did not at all lead to amalgamation, and further on to unscrambling?—A. Oh, yes. Mr. Ruel paid me a very high compliment before the Royal Commission. They said, "You make this a generality. Who would turn it into a particularity? Who would do these things?" And he said, "Well, Mr. Fairweather of the Canadian National is highly equipped to do it."

Q. Evidently you do not know how you would interpret his idea?—A. Oh, yes, but that—

Hon. Mr. DANDURAND: Would you like Mr. Fairweather to answer Mr. Meighen?

The WITNESS: I do not think I should care to oppose my opinion to that of Mr. Meighen on what is a legal problem.

By Hon. Mr. Parent:

Q. What is the difference between amalgamation and unification?—A. In my opinion there is absolutely none. You can call it what you please and try to surround it with agreements and things of that character. Frankly, I am in this position as distinguished from the legal position, which of course I could not be presumed to speak upon, that I can see no difference whatever between unification and amalgamation if you are going about unification as it was submitted, I understand, to the Royal Commission. After reading Sir Edward's evidence I can see no difference between the two.

By the Chairman (Hon. Mr. Beaubien):

Q. The Canadian National is composed of perhaps 100 companies?—A. Yes, over 100.

Q. All functioning under trustee agreements?—A. Yes, sir.

Q. Each company conserving its property?—A. No, sir.

Q. That is what Mr. Ruel said.—A. Well, I do not think that is a subject we should pursue at this moment, but that is not a correct statement.

Now, if I were to resume my points, these risks—

[Mr. S. W. Fairweather.]

By Hon. Mr. Calder:

Q. Before we pass. There is talk of unification, and of unification of management. Are those the same?—A. Well, I really could not say. I cannot follow these distinctions. All I can see is two properties merged together, with their staffs merged and a reallocation of the whole traffic, and the closing of the shops here of one company, and lines and stations—

Q. That is amalgamation.—A. That is amalgamation, and I cannot see any difference. Unification of management, if it does not go any further than that, does not mean anything. It is only when it is transferred into the physical manner in which you run the railway.

Q. You could have unification of management without having amalgamation at all. In other words, instead of the Canadian National Railways management operating their railway as they do now, and the Canadian Pacific management operating theirs, you could form a new company and put from that new company a management in charge of the Canadian National, and a management from the same central body in the Canadian Pacific, but you would not get anywhere?—A. You would not get anywhere.

Q. You would simply replace the present management by new management?—A. Correct.

Q. So you would not get anywhere unless there was amalgamation?—A. That is right, sir.

By Hon. Mr. Buchanan:

Q. If unification meant a joint board of representatives from both railroads, would you get any further than you have got with the co-operation committees?

—A. If the Canadian National representatives were looking after the Canadian National property, I would say no. I am only speaking for the Canadian National. That may be a blunt answer, but in my opinion it is the correct one. The thing about it that I have tried to make clear is that there are sane things that could be done, but that should be done in a sane and sensible manner, by co-operation.

Now, speaking to these other risks. There is this very thing the Chairman referred to, namely, the formula which would divide the future earnings and allocate the equities fairly to each property. The risk attached to that is very considerable. I have read the Royal Commission evidence, and I have found in there a statement that the burden of debt on the Canadian National Railways could not in any degree be assumed. You will see, therefore, that it was quite evident, if that statement is correct—and it is in the evidence—it must mean that the Canadian National throws all its property into the pot free from any encumbrance. And it has a very great earning power.

By Hon. Mr. Hugessen:

Q. Who made that statement?—A. That was made by the C.P.R. Now, it must be very apparent to anybody that if you approach a formula for dividing the equity, the very basis of saying the said properties go in free and the funded debt of the Canadian Pacific shall lie over the whole, you will have something that is a distortion of fact.

Right Hon. Mr. MEIGHEN: That is manifestly absurd.

The WITNESS: Yes, that is manifestly absurd. Now, that is a very decided fact, and therefore the formula with which you approach this thing is something that has to be very careful about. Here we have in Canada the Canadian National Railways, a younger railway than the Canadian Pacific on the whole, with its potentialities untested or largely untested. We know its potentialities are apt to be very large. I know that certain prominent men from other countries after viewing the situation have been very much impressed with the potentialities of the Canadian National Railway System. You cannot judge

those potentialities by any yardstick in the past. It is true that in 1928 we earned somewhere about \$50,000,000, and paid all our fixed charges, but that does not test the potentialities, and there is a very grave risk attached to that.

Then I have only two other very short points. One would occur to an economist. It is that you must not mistake the concrete reality of an estimate figure as being the picture of the national economy when you undertake to do something. For instance, a man comes along and says "I can save," let us say "any amount of money you please," and an estimate is prepared on the basis on which an engineer or an operating man would prepare his estimate, and you might go ahead and proceed to divide up such an economy between a private company and the Government. But let us see what happens. Loaded into the cost figures that are going to be done away with are elements of the cost of running the country, paid for in taxes, and which in no degree will be changed by the proposed action. For instance, the cost of this honourable body levied in taxes over the country, amounts to a very considerable proportion of the turn-over. Consequently, if you get a turn-over of \$100 and find that taxes, direct and indirect, eat up \$20 of that, that \$20 is not a direct economy, so \$80 and \$20 will have to be distributed over the remainder. Here is a set economy. You divide it, say, 50-50. But out of that expenditure of \$100 there was loaded in there \$20 representing direct and indirect taxes going to the cost of government. Let us say the Government gets the \$50. In getting the \$50 it has lost the \$20. That is perfectly obvious.

But that is not all. Included in that \$100 also is the element of profit of the industry—the people who supplied coal, sold lumber and ties and rails—and to the extent that there was an element of profit in that \$100, all you have done is to change the incidence around the country of an amount of money. You have not made an effective economy at all.

I simply mention that to show how tricky, extremely tricky, figures are when they are put down in estimates. You think they mean what they say, but you find they do not. When you get into them they mean something else.

By Hon. Mr. Horsey:

Q. This would apply under co-operation too?—A. Oh, yes. Anybody who looks into the thing will find that I made that reservation to the Royal Commission. When you sit down to make an engineering and operating estimate of something that touches the country as a whole, you have to put reservations on it, and those reservations interlock so with the tax burden of the industry of the country that you have only a fraction of the thing which you can say is a real economy from the standpoint of the nation.

I have only one other thing to refer to. It is the disturbance to labour and industry. The disturbance to industry I have already touched upon, and I do not think I can say much about it. But if you start tearing up lines and making these things you are going to lay a burden on industry, and that is not a significant economy. Now, with regard to labour, I may say that railway labour is a specialized type of activity, and if you proceed to say that we can no longer be ruthless but that we have to compensate labour, it is obvious that the amount of money you put out is just the equivalent of a capital expenditure to make the chief economy, and it becomes a very serious burden. And if you admit as a principle that labour has a vested right in employment, then you have to further diminish from the national standpoint these economies, because all you have really done is to transfer a burden from one place to another.

That, I think, summarizes my statement of the risks that are attached to national unification as compared with co-operation. Co-operation in my opinion is sensible.

[Mr. S. W. Fairweather.]

By Hon. Mr. Coté:

Q. But your last argument applies to both unification and amalgamation, and also to economies generally?—A. Oh, quite. I am pointing out that when you are facing an estimate you must not be too sure that it is all real.

By the Chairman (Hon. Mr. Beaubien):

Q. Is that all you want to say?—A. With your permission, in order that my record may be clear, I should like to answer a question put by Senator Calder which I did not have a chance to answer previously. He asked me wherein the present law and all the other machinery is defective in bringing the element of compulsion into co-operation, and what must be provided in the law to make certain that compulsion will take place. My answer is that it is difficult for me to attempt an answer to this question, because I have not had legal or legislative training. In my evidence I endeavoured to make it clear that for the initiation and pursuit of co-operative economies, my mind turned towards the creation of an outside body or authority. In my opinion Mr. Eastman's suggestion that such a body should have no power to enforce its decision but that the compulsory power should be vested in a body like the Interstate Commerce Commission, with enlarged powers, or, as regards Canada, the Board of Railway Commissioners, with enlarged powers, has much to commend it.

The CHAIRMAN (Hon. Mr. Beaubien): Colonel Biggar has a statement to make before we adjourn.

Mr. BIGGAR: The next witness will be Mr. Armstrong, who was a member of the Joint Co-operative Committee and Mr. Fairweather's opposite number. Following him I would suggest that the committee go on to hear Sir Edward Beatty with regard to his proposals. I saw Sir Edward Beatty and Mr. Hungerford during the recess, and it was arranged as between them that Sir Edward should go on first and should be followed by the other members of his staff, who will deal with the specific proposals which he will deal with in a more general way—and I am told that there will be eight or ten of those witnesses—and then, when there is laid before the committee the specific proposals with regard to the future, we will go on and have those proposals subjected to as rigid a criticism as possible so that the whole situation will be before the committee.

Hon. Mr. DANDURAND: Would you allow me to speak to a matter which is bound to come before us? I would like to confer with the Joint Chairmen and Mr. Meighen, but I may as well give my views as to what should be our procedure so that the matter may be tested here. Numerous communications have reached the Chairmen and Colonel Biggar from outside parties who have proclaimed that they can suggest savings in the operation of the two railways, and who ask to be heard. As three weeks will be given to the work which has been mentioned by Mr. Biggar, it would perhaps be well to adopt right now a policy for those outsiders who want to be heard. I think the best way of disposing of any outside suggestions would be for the committee to lay down as a rule, that any outsider who desires to come before the committee and suggest certain savings to the two railways should do so in a concise statement addressed to the chairmen of the committee. Then they, in conjunction with Colonel Biggar, can decide whether it will be worth while to bring any such suggestions to the attention of the committee without asking its author to appear. Otherwise, if we open the door wide to parties who want to come before us from the Atlantic to the Pacific, we shall be here until next January.

The CHAIRMAN (Hon. Mr. Beaubien): Does that meet with the approval of the committee?

Some hon. MEMBERS: Carried.

The committee adjourned until 10.30 to-morrow morning.

EXHIBIT No. 44

C.N. Rys. Distress Budget. Five-year period (1932-1935). Not printed.

EXHIBIT No. 45

Line abandonments. Details of various programs. Not printed.

Bala..... Key Jct.....	135 6		Executive Committee—preparation of agreement covering this abandonment held in abeyance pending recommendation to abandon similar line of Canadian Pacific.			135 6
Rugby Jct. (Winnipeg)..... Portage.....	40 16		Under study by Joint Co-operative Committee (presently in hands of Joint Local Committee). Under study by Joint Co-operative Committee (report of Joint Local Committee received).			40 16
Oakland..... Muir..... McGregor.....	12 12	56	Do Do Do			12 12 56
Hamiota..... Hallboro..... Brandon Jct.....	20 55 22		Do Do Do Under study by Canadian National Section of the Joint Co-operative Committee.			20 55 22
Louise..... Wolseley.....	56	122	Collection of data for preparation of an agreement with the Canadian Pacific covering this abandonment actively in hand. Approved for abandonment by Joint Executive Committee—preparation of agreement covering this abandonment held in abeyance pending recommendation to abandon similar line of Canadian National.	56		122
Perdue..... Bruderheim.....	59 34		Under study by Joint Co-operative Committee (report of Joint Local Committee received). Under study by Joint Co-operative Committee (presently in hands of Joint Local Committee).			59 34

CANADIAN NATIONAL RAILWAYS

FUNCTIONALLY DUPLICATE RAILWAY LINES IN CANADA WHICH MIGHT BE ABANDONED WITHOUT UNDULY HAMPERING THE DEVELOPMENT OF CANADA, REFERRED TO IN THE EVIDENCE OF S. W. FAIRWEATHER, DIRECTOR, BUREAU OF ECONOMICS, C.N.R., BEFORE THE SENATE COMMITTEE, MAY 11, 1938.

Between	Approximate Miles		Present Position	Abandonment Application being prepared	Abandonment Agreement being prepared	Abandonment Approved by Joint Executive Agreement in abeyance	Under Study
	Canadian National	Canadian Pacific					
Red Deer Jct.....	6		Collection of data for preparation of an agreement with the Canadian Pacific covering this abandonment actively in hand.		6		
Red Deer Jct.....	6	53		Do Do Do		59	
Warden.....	9		Do Do Do		9		45
Langdon.....	10	23	Do Do Do		33		
	429	650					
Edmonton.....	45		Northern Alberta Railways under study —presently in hands of Joint Local Committee.				5
		5		Do Do Do			
Carbondale.....	50			39	266	263	561

Bureau of Economics, C.N.R.
Montreal, May 16, 1938.

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 10

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESS

Mr. John E. Armstrong, Asst. Chief Engineer,
Canadian Pacific Ry. Co.

EXHIBITS

No. 47. Memo to the Joint Executive Committee from the Joint Co-operative Committee, requesting clarification of certain instructions re preparation of agreements.

No. 48. Exhibit F filed by C.P. Ry. before Royal Commission on Transportation Economies possible by co-operation of C.N. and C.P. Rys. in establishing joint package, stations and terminals

No. 49. Exhibit G filed by C.P. Ry. before Royal Commission on Transportation Study of Economies possible by unification of C.N. and C.P. system under private management.

No. 50. Details of track abandonment as summarized in Exhibit A of Senate Exhibit 49 (C.P.R. study of economics possible by unification).

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1938

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, May 18, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

Mr. BIGGAR: If the committee approves, we shall go on with Mr. Armstrong first this morning.

Right Hon. Mr. MEIGHEN: Mr. Chairman, we all have noted the absence of Senator McRae, and I thought I owed it to him to say that he is not staying away of his own will. He has been ill down south—not seriously at all—but expected to be here yesterday and was unable to come. He is now content that he will be here on Monday morning.

JOHN E. ARMSTRONG was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Armstrong, you are the Assistant Chief Engineer of the Canadian Pacific Railway, are you not?—A. Yes, sir.

Q. And you have been so for a number of years?—A. Since 1928.

Q. And during the interval from 1932 to the present day you have been a member of the Joint Co-operative Committee?—A. I have been a member of the Canadian Pacific section of the Joint Co-operative Committee from its inception in December 1932 until I was relieved of those duties in February of this year.

Q. Were you with the Canadian Pacific before 1928?—A. Yes, sir, I have been in the Canadian Pacific since 1912.

Q. During part of the time that you were a member of the Canadian Pacific Joint Co-operative Committee you were Chairman of that section, are you not?—A. Yes, from May 1934 on.

Q. What proportion of your time was taken up with the work of the Joint Co-operative Committee during the time you were Chairman of it?—A. From the beginning, from 1932 on, I gave a substantial portion of my time to the work of the committee. From 1934 on I gave practically all of my time to the committee, and from October 1935 on, at the time that the committee was assigned the duty of preparing the co-operative agreements, and I was relieved of my other duties and gave my entire time to the work.

Q. That was when the Joint Headquarters Committee came to an end?—A. Yes, when it was disbanded and when its duties and others were assigned to the Joint Co-operative Committee.

Q. And what about the other members of the Joint Co-operative Committee during that time, from the autumn of 1935 onwards? Were they devoting a considerable part of their time to the work of the committee?—A. They were devoting all the time to the work of the committee that I required of them. They had other duties, and I called them as required to keep the work going.

Q. Within the Canadian Pacific organization what were the arrangements with regard to these co-operative negotiations?—A. The organization of the Canadian Pacific railway for handling co-operative work was substantially the same as that of the Canadian National Railways, in that the Joint Executive Committee was a joint committee, the Joint Co-operative Committee was a joint committee, the joint local committees were joint committees, and during its existence the Joint Headquarters Committee was a joint committee. That is, briefly, a statement of the organization. I think probably it has yet been brought out how that organization worked. It may be of interest to the Committee to know the steps through which it was necessary to carry co-operative projects. May I present that information?

Q. Yes, by all means.—A. Generally co-operative projects originated with the joint executive committee and were assigned to the joint co-operative committee for study. That was not invariably true, but it was generally true. Upon receiving an assignment from the joint executive committee the joint co-operative committee went over it, decided what required to be done, framed a questionnaire from whatever lines might be required and referred to the joint local committee for study. I am speaking now of any single project.

Q. Yes.—A. The joint local committee made such preliminary study as was necessary to determine whether or not the project gave promise of producing economies. Whatever they discovered, they returned that information to the joint co-operative committee, and the joint co-operative committee examined this information, added to it any other necessary information of a general character which might not be available to the local representatives, and prepared a report to the joint executive committee, which would be submitted as a statement of probabilities, we will say, of economy. If the joint executive committee approved that report—and I think in every case they did approve the report to the joint co-operative committee—perhaps I should qualify that. There were cases where the joint co-operative committee concluded there was no economy and so reported. Those reports were signed by the chairman of both sections of the committee, and invariably those reports, unfavourable as well as favourable, were passed on to the joint executive committee. On approval of a report the joint executive committee returned it to the joint co-operative committee to develop the necessary details and prepare an agreement covering the project.

Q. That would be between 1934 and 1935, when the joint headquarters committee was in existence?—A. Yes, sir. This has to do with the time subsequent to October, 1935. A little later I will state explicitly how the joint headquarters committee came in and passed out.

Where the joint executive committee referred an approved report back to the joint co-operative committee for furtherance, we will say, at that point, either company been working alone, not co-operating, it would have been in position to start immediately to prepare an application to the Board of Railway Commissioners. That would have been the practice, and it was with Canadian Pacific the next step in connection with the exclusive thin traffic abandonments. The economy was in sight and the matter went to the board as soon as possible for action. With the two separate companies involved in these co-operative projects, it was not possible to agree on expectation of economy. It was necessary to develop in considerable detail just what the economies were, just where they arose, so as to determine the equitable distribution of burden and advantage, as required by the Canadian National-Canadian Pacific Act of 1933. The joint co-operative committee then would prepare additional questionnaires necessary in connection with the information required and would refer the matter back to the appropriate local committee for detailed examination, which would be a much more thorough and careful examination in every way than the original joint local committee report submitted to the joint executive. For agreements other than line abandonment agreements

[Mr. John E. Armstrong.]

reference was ordinarily to a single joint local committee. For line abandonments the reference back to local committees was to two committees, one called the joint operating committee, which was set up to consider all matters of expenditure, that is, all matters in which the railways were presently engaged in expenditures on the line or lines under discussion; and the other the joint traffic committee, so-called, which dealt with the present traffic situation. As one handled expense, so the other handled operating; two distinct parts of the examination. They were to handle not only the present situation—when I say "present situation" I mean under the test period agreed upon while both lines were in operation—but they also handled the investigations of the prospect situation after the abandonment. They had to forecast the condition which would exist in the future after the abandonment had been effected.

Q. The period was generally how long?—A. Generally a year.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Armstrong, those were two local committees, I suppose?—A. Yes, sir, two joint local committees, known as the joint operating committee and the joint traffic committee respectively.

By Mr. Biggar:

Q. Then, as I understand, these joint committees had to ascertain the actual facts in regard to this period of use?—A. Yes, sir.

Q. Both with regard to expense and economy?—A. Yes, sir.

Q. Then they made certain estimates on the basis of the information secured in the event of an agreement being reached?—A. Not in the event of an agreement being reached; but in order to develop figures necessary before preparing an agreement.

Q. Not a forecast on the basis of there being an agreement, but a forecast on the basis of the situation continuing unchanged?—A. No, sir, not agreements. I am speaking of agreements for territory abandonment; they are more simple to explain. A money figure was set up in the agreement which the railway would pay to the other railway to balance in perpetuity the disbalance of burden and advantage. That is to say, the conditions as they existed to-day or in the test period had to be determined, the change in conditions as they would be after the abandonment had to be determined. Then those two had to be compared and the balance of burden and advantage developed, and that converted into a dollars and cents figure, which would be included in the agreement. Therefore this was all in anticipation of the preparation of the agreement. Is that clear, sir?

Q. I think I understand it, yes.—A. After this information was developed by the joint traffic and joint operating committees it was sent to the joint co-operative committee for development of any required figures for use in the agreement. With the assistance of the law departments the joint co-operative committee was responsible for the preparation of those agreements. When they had been prepared they were referred to the respective executives of the two companies, not the joint executives, for execution. If they were satisfactory to the executives, they were executed and referred to the law departments for further action.

Q. What would be the nature of that further action?—A. That was the next step. The law departments then would take up the agreements with the Board of Railway Commissioners for such consideration as the Board might require, and secure either approval or rejection of the agreements by the Board. So far the Board of Railway Commissioners has approved all the agreements laid before it.

Q. Co-operative agreements?—A. All joint co-operative agreements laid before it.

By Right Hon. Mr. Meighen:

Q. Mr. Armstrong, was that joint co-operative committee as distinct from the joint executive ever more than a fifth wheel?—A. Oh, I think so, Senator. It was the committee which was doing all of the general work.

Q. It was doing it, but it seemed to me to be just a duplication of the joint executive. There was no need of it whatever from the beginning.—A. I think not, Senator. The joint local committees of whatever nature they were would assemble local information dealing with facts of that particular local situation. Now, that was not assembled in anything like agreement form. It was simply an assembly of facts, and was not complete, because many of the facts were beyond the knowledge of the joint local committee, having to do with system matters lying beyond the control of the local people.

Q. They would be within the knowledge of the joint executive?—A. No doubt; but the joint executive would not undertake an analysis of its facts in assembly agreement form and act on that.

Q. You have this joint co-operative committee now?—A. Oh, yes.

Q. It does not perform any functions, Mr. Fairweather said.—A. Are you thinking of the joint headquarters committee?

Hon. Mr. MURDOCK: You are thinking of the joint executive committee.

Right Hon. Mr. MEIGHEN: There is the joint executive, the joint co-operative and the joint headquarters committees, and then two local committees. If that is not a redundancy of committees I don't know what could be. A. I think you have a misunderstanding of the functions of those committees.

Q. I know the functions as you define them; but it seems to me the whole thing was clogged with a multiplicity of committees.—A. They had separate and distinct duties, none of which any other committee was able to discharge with the exception of the joint headquarters committee.

Q. It was only a fifth wheel?—A. Not as we understood it at that time. Our experience led us to that conclusion, and we abandoned it.

By Mr. Biggar:

Q. You said you were going to deal with the situation as regards the joint headquarters committee?—A. Later I will deal with that in another context when I come to speak of the arrangement since 1935.

Q. You had got to the point of submitting your agreement to the Railway Commission?—A. Yes, sir; and they had approved the agreement, we will say. The next step is for the Board of Railway Commissioners to refer it to the Governor in Council. When an approving Order in Council is issued, that goes back to the law departments of the railways, and they in turn convey the necessary information to the operating managements, and then the operating managements take the necessary physical steps on the ground and give the necessary public notice, and so forth, practically putting the project into effect. In fact they do put it into effect.

Q. I see.—A. So there are a number of steps necessary in the co-operative matters which would not be and were not necessary for either company in the preparation of the same kind of line abandonment if it was an exclusive line abandonment. But in either case it would still have to go to the board.

Q. But all that interval between the original approval by the executive of the road and the final application to the Railway Commission would be omitted in the case of the single exclusive line?—A. Just so.

Q. Can you, then, deal with the reason why there was a delay in putting these agreements into effect or giving effect to the reports of the joint co-operative committee?—A. Mr. Biggar, I must agree whole-heartedly with Mr. Fairweather's statement that there have been serious delays in putting the projects into effect. In Mr. Fairweather's evidence he left this honourable

[Mr. John E. Armstrong.]

committee, I believe, with a fixed impression that the Canadian Pacific had done everything in its power to avoid carrying out the requirements of the Canadian National-Canadian Pacific Act of 1933.

By Hon. Mr. Dandurand:

Q. I did not hear such a clear expression of opinion from Mr. Fairweather.—A. It is my recollection that he said at times the C.P.R. refused to co-operate. That is pretty definite, I think.

By Hon. Mr. Parent:

Q. But he qualified his statements. For instance, in one particular case that he mentioned—the line from Winnipeg to Moncton—he said the C.P.R. had tried to have that line removed.—A. Not under co-operation, senator. That line has not been considered under co-operation at all.

Q. He mentioned that and qualified his statement that in his own view the line was a proper one for the country to keep.—A. I think that statement is correct, and I would point out that that matter was not under co-operation.

Q. How can you co-operate if you do not agree?

Hon. Mr. HAIG: It was never considered at all.

THE WITNESS: It was never considered at all. It was not a co-operative matter.

By Hon. Mr. Calder:

Q. That was included in the 5,000 miles?—A. Yes, sir.

Q. My understanding is that so far as certain lines are concerned, on which there was agreement, an attempt should be made to make some economies. There was no criticism against the C.P.R. as to their attitude. That is, there were many cases where you both agreed, and in all those cases there was no criticism as far as anyone is concerned against the C.P.R., that I recollect.

Hon. Mr. HUGESSEN: I remember Mr. Fairweather stating, when discussing this question of abandonment of lines specifically, that there was no disagreement between the two railways.

Hon. Mr. CALDER: There was the utmost co-operation.

By Hon. Mr. Hugessen:

Q. His criticism, whatever it may have been, related to one point where the Canadian National Executive suggested grouping a few lines, and the C.P.R. refused to agree to that. And his further criticism was that they never agreed to consider any portion of their main line as being available for abandonment.—A. I think, with Mr. Fairweather and me both admitting serious delay in putting projects into effect, that someone must have been responsible for that delay.

Q. I think Mr. Fairweather accepted his part of the responsibility, and I understand you are now accepting yours?—A. I admit responsibility in only one instance.

I want to bring in the matter of the Joint Headquarters Committee, if I may.

By Mr. Biggar:

Q. Right.—A. Prior to December, 1933—I think you gentlemen probably gave before you a list of the 62 reports submitted by the Joint Co-operative Committee to the Joint Executive Committee—

Q. Yes. That is Exhibit No. 29.—A. Prior to December, 1933, the various reports submitted and approved of dealt with more or less normal inter-railway relations, and it was possible to have the agreements prepared through the normal inter-railway channels. There was nothing specially peculiar about them in any way. Commencing in December, 1933, the Joint Co-operative Commit-

tee began to submit line abandonment reports. Now, the Joint Co-operative Committee already had sufficient knowledge of what it was proposing under report 23, which was the only report in effect at that time—report No. 32 came later—to know those reports could not be prepared under the normal inter-railway channels. In its first report on line abandonments, which is No. 25, it recommended that a Joint Headquarters Committee be established to undertake the development of agreements.

Q. That would be a special committee to deal with these co-operative agreements?—A. Yes, sir. That recommendation was made only in connection with line abandonments. By March, 1934, there were four of those line abandonment agreements approved, and in May, 1934, the Joint Co-operative Committee adopted the recommendation of the Joint Co-operative Committee and appointed a Headquarters Committee for the purpose of preparing line abandonment agreements only, not other agreements. It has been suggested that the committee was essentially a delay mechanism. It certainly was not intended to be so when it was appointed. The Joint Co-operative Committee was very busy preparing reports to the Joint Executive Committee, and this committee was set up to take over the preparing of agreements under approved reports in connection with line abandonments. They went to work at once, and it was decided to investigate the line abandonments under report 23, joint use of the retained line one abandonment for each company so there would be a balance and both sides would have the same problems confronting them. And reports 25 and 31 were taken as the two reports to be studied.

By Hon. Mr. Parent:

Q. Are the two reports you refer to filed as exhibits?

Mr. BIGGAR: The two reports are not here, but if you look at Exhibit 37 you will see them dealt with. Exhibit 37 is at page 174, and the reports are No. 25 and No. 31, the first and third in the list.

By Mr. Biggar:

Q. Yes?—A. The first problem confronting the Joint Headquarters Committee was to discover a means of making the principles of report No. 23, which was somewhat involved, applicable to these two cases. They went at that and succeeded by August 1, 1935, in the Iberville-Farnham case, and October 1, 1935, in the Cyr-Edmundston case, in developing agreements for those two lines. They had to go through the process I have been outlining that the Joint Co-operative Committee goes through now—that is, getting the detailed information from the line and applying the necessary figures for equitable distribution of burden and advantage. They had a very serious task in my opinion.

By the Chairman (Hon. Mr. Beaubien):

Q. There is a year's lapse between the attempt made to come to an agreement on that basis and the final decision of the committee when that agreement had been obtained. There was a period, I suppose, during which you studied the effect on the line. How long would that be?—A. The period from the opening of the Joint Headquarters Committee to the conclusion of the later of those two agreements, was from May, 1934, to October, 1935.

Q. Almost two years?—A. Just seventeen months, and it is two months less than that for the first agreement, fifteen months.

Now, if you gentlemen care to read agreement No. 23, which I think has been filed as an exhibit, you will see the problem the Joint Headquarters Committee was up against in making that agreement applicable to specific cases. I was setting forth principle only.

[Mr. John E. Armstrong.]

By Mr. Biggar:

Q. And it involved an examination of this test period?—A. A detailed investigation, yes, sir.

By Hon. Mr. Dandurand:

Q. You are working on two very small lines.—A. The small lines were taken for the purpose of simplicity. If the Joint Headquarters Committee had begun on a complicated case, I do not know when they would have got through it.

Q. You were in search of a principle?—A. We had the principle in report No. 23. The difficulty was in making it applicable in simple cases, so they could take the simple cases as a start. I think they did a very good job in the period given them.

By Mr. Biggar:

Q. And the agreements are very elaborate agreements.—A. If I recall correctly, they are some 40 pages of foolscap.

By Hon. Mr. Dandurand:

Q. Did you succeed in finding a simpler formula?—A. In working out the details of the application of these principles, it became apparent that the Joint Headquarters Committee was having to acquaint itself anew with the information the Joint Co-operative Committee already had in its mind in connection with the reports which the Joint Co-operative Committee had submitted to the Joint Executive for approval. They were having to immerse themselves in something in which the Joint Co-operative Committee were already immersed. That is where it developed that they were a fifth wheel. For that reason, and in the hope of speeding up the work, the Joint Headquarters Committee was abandoned and all the work of preparing not only line abandonment agreements, but all other agreements under co-operation, was handed to the Joint Co-operative Committee. That was done in October, 1935. Perhaps you gentlemen would like to have the chronology of these two agreements after the date of agreement. There were not in effect then. Perhaps I had better drop back to that and close them up.

By Mr. Biggar:

Q. Yes.—A. The applications were made to the Board of Railway Commissioners for these two agreements—they were submitted at the same time—on November 20, 1935. The Iberville-Farnham agreement was an 11 mile abandonment by the Canadian National, and the Cyr-Edmunston was a 28 mile abandonment by the Canadian Pacific. The Board of Railway Commissioners approved the Iberville-Farnham agreement. The Cyr-Edmunston—

By Mr. Parent:

Q. What line do you refer to?—A. The line between Cyr and Edmunston.

Q. You did not mention that at all in your statement. You mentioned a few words, but did not mention the line at all. And what other line has the Canadian National abandoned?—A. Those are two lines taken into consideration at the one time by the Joint Headquarters Committee.

Q. And one started where?—A. One was under report 25, and was an 11 mile abandonment by the Canadian National between Iberville and Farnham.

MR. BIGGAR: You will find all that information on page 174, in the schedule, part II.

HON. MR. PARENT: It comes to what I said, that if the exhibits had been printed we would know much better where we were at.

HON. MR. DANDURAND: You have the statement.

HON. MR. MURDOCK: It is right in front of you, page 174.

By Mr. Biggar:

Q. Yes?—A. The principle of abandonment was approved by the Board of Railway Commissioners on February 14, 1936, and the Cyr-Edmunston, on January 22, 1936. Those were then referred to the Governor in Council and the Order in Council in connection with the Cyr-Edmunston agreement was issued approving that in February, 1936, and the Iberville-Farnham agreement in April, 1936; and the projects were made effective—the Iberville-Farnham, C.N. abandonment, on April 26, 1936, and the Cyr-Edmunston on July 1, 1936. There seems to have been very little delay in the Iberville-Farnham case between the approval by Order in Council and the effective date of the project.

Q. The effective date of what?—A. The effective date of the project. And considerable ore delay, if you choose, occurred between the final approval and the effective date of the Cyr-Edmundston. The reason for that is this: You will notice that in the Iberville-Farnham case it was 22 days from the final approval until the effective date. There was very little work to be done there to bring that about; the connections were practically all in, there was no serious work to be done at all, and the approval was given in the spring, when whatever work had to be done could be done. But in the Cyr-Edmundston case final approval was given in February, 1936, and it became effective on July 1, 1936. To put that project into effect it was necessary to build a considerable length of railway connecting the two in the vicinity of Edmundston. It was not considered desirable by either railway to go in there in winter weather, in February and March, and make this construction under frozen conditions, and the actual work of building this connection was deferred until spring. That is the reason for that lapse of time. The Joint Headquarters Committee had started the consideration of abandonments under Report 30 before they were disbanded.

Q. That is the general report which is in as an exhibit?—A. That is the report setting forth the principles of territorial abandonments. They had started off but had not completed any agreements under it and had not finally developed principles in connection with any specific lines. The Joint Executive Committee, in dispensing with this committee that had apparently developed into a fifth wheel, or at least was a committee that could be dispensed with, instructed the Joint Co-operative Committee to bear in mind that it was the wish of the Joint Executive that all agreements be as simple and direct as possible. I imagine this arose from the fact that the two line abandonment agreement that they had had before them were so extensive and so involved. The Joint Co-operative Committee, fearing that the Joint Headquarters Committee had advanced the principles of the Report 23 type of agreements to a considerable extent and that we had something ready to start to work on, undertook first to simplify if possible the application of the Report 23 agreements.

Q. For the purpose of going on with the others?—A. For the purpose of going on with other Report 23 agreements that we had before us. It began the study of that and then the situation became complicated somewhat by the Canadian National section advising the Canadian Pacific section, in February 1936, that it had received definite instructions from its executive that it was only to consider the preparation of line abandonment agreements for lines which were substantially in balance as between the two companies.

Q. Develop that a little. What does that mean?—A. I have never been quite clear as to what that means, Mr. Biggar. It seems to imply a substantial balance of mileage to be abandoned, employees displaced, traffic diverted,—all the various elements.

Q. What was the practical effect of this on the consideration of report Nos. 30, 33, 36, 40, 41, 51, 55 and 60?—A. The eventual effect of that of these reports was that it resulted in considerable delay. I will develop that

[Mr. John E. Armstrong.]

point in more detail presently, if I may. I may say this was the first intimation we had had of the necessity of substantially balancing agreements at this time, substantially balancing the study of the lines for agreements at this time.

Q. And what was the date of that, again?—A. February 28, 1936. In the preparation of Report 32 it had been suggested that where two lines were considered to be substantially in balance, that those two lines should just be in effect exchanged for each other and no detailed agreement of any kind drafted.

Q. No particular figures of burden and advantage ascertained?—A. Right. The Canadian Pacific was quite prepared to go along with that after it had been shown that lines were in balance. Frankly, the Canadian Pacific did not know how to look at two different pieces of line and say that they were substantially in balance. The Canadian Pacific did not receive any instructions from its executive in regard to the balancing of lines in this manner. Nevertheless the Canadian Pacific did endeavour to go along with the Canadian National, and we struggled for some time. And finally the Joint Co-operative Committee—I mean the two sections working together—on May 15, 1936, submitted a memorandum to the Joint Executive Committee asking for further instructions in regard to the matter.

Q. Is that one of the reports that is in exhibit 29? What is the date of that?—A. May 15, 1936. That is a joint memorandum to the Joint Executive.

Q. I do not think it is here.—A. It was simply a request to know whether lines substantially in balance must be determined before the information in regard to individual lines was developed for agreement purposes—just what did we mean? The Canadian Pacific section had no instructions; the Canadian National section had definite instructions, and we were getting nowhere with it, so we put it up to the Joint Executive for further instructions.

Q. We can have a copy of that memorandum?—A. Yes, that can be filed.

Hon. Mr. PARENT: That will be Exhibit No. what?

Mr. BIGGAR: We shall wait until we get it, I think, Senator, to give it a finite number.

Q. Yes?—A. Having gone as far as we could, apparently, with Report 23 simplification at that time, and the Canadian Pacific always being convinced that the Headquarters Committee had done a job in determining the practical application of these principles that the Canadian Pacific section of the Joint Co-operative Committee was unable to simplify, we went on to the consideration of the simplification of Report No. 32 principles, the other group, that was dealing with territorial abandonment agreements. In that we did discover a means of simplification. The actual application of that is not nearly so complicated in reality as Report 32, which I believe is filed as one of the exhibits, indicates. The original Report 32 required perpetual accounting for the distribution of charges. But that was simplified down to a fixed payment to be made by one company to the other, without accounting.

Q. Perhaps you might, if you will, turn to Report 32 and indicate to us what part of it that you were able to simplify in this way. The report is not Report No. 32 but it is also Exhibit 32.—A. Can you give me the page of that, please?

Q. It is at page 123 of the printed proceedings.—A. Under Revenues, paragraph (a) was left in effect; paragraph (b) was left in effect; paragraph (c) was deleted. That is where the complication in the perpetual accounting began to come in. Paragraph (d) was retained.

Q. Yes?—A. Under Expenses, paragraph (a) was retained. Now perhaps I am not absolutely correct in the entire detail, but I am speaking of the principles. The principles of these paragraphs were retained or altered. Paragraph (b) was retained; paragraph (c) was altered. I think those are the essential paragraphs.

Q. That is where the difference came in?—A. Yes. Instead of carrying on on the basis of what proportion of the gross revenue should be paid by one company to the other, which required perpetual accounting of those revenues a fixed figure was determined and frozen.

Q. The result of this simplification is as set out in these Exhibits 38 and 39, the schedules to those two agreements?—A. Yes, sir, these lead to a final figure, an annual or monthly or capital figure.

Q. They are at pages 176 to 178, and they lead to a monthly figure that has to be paid by one railway to the other?—A. Yes.

HON. MR. CALDER: Mr. Biggar, you are to get a copy of that memorandum that was sent to the Joint Executive?

MR. BIGGAR: Yes.

HON. MR. CALDER: I think at the same time if there was a reply to that memorandum you ought to get it.

MR. BIGGAR: Yes, exactly.

THE WITNESS: There has been no action by the Joint Executive in regard to that memorandum.

By Hon. Mr. Haig:

Q. Is that memorandum very long?—A. It is one page of foolscap.

HON. MR. HAIG: It should be put into the reports.

MR. BIGGAR: We will see it is put in.

By Right Hon. Mr. Meighen:

Q. You were on the Joint Executive Committee?—A. No. The Joint Executive Committee is composed of the President and two directors or trustees of each company. The Joint Co-operative Committee is a technical committee composed of engineers, operating men or accounting men—they are the working committee.

Q. You were not on the Joint Executive Committee?—A. No, sir.

By Hon. Mr. Calder:

Q. You say you never got a reply to that memorandum?—A. No, sir.

Q. You continued to work in the dark?—A. Somewhat, though I have to say this, that in due course we began to send out agreements which I assume the Canadian National felt were in balance. The Canadian Pacific was willing to send out the entire lot of line abandonment reports for study.

Q. You have no knowledge of whether or not the Executive Committee considered your memorandum?—A. I have no knowledge as to that, no, sir. All I can say with knowledge is that we have not yet had a reply to that memorandum.

By Hon. Mr. Gordon:

Q. Did you not inquire why?—A. No, sir, I never discussed that with the Executive.

By Hon. Mr. Calder:

Q. It is very strange. Your committee got into difficulty; you could not understand the Canadian National's attitude, and because of that you sent memorandum to the Joint Executive Committee asking for instructions?—A. Yes, sir.

Q. And you never got a reply to that?—A. Correct.

Q. That is very strange.—A. But we are going ahead, each in our own way and getting along. We have endeavoured to co-operate rather than combat.

[Mr. John E. Armstrong.]

By Mr. Biggar:

Q. Yes?—A. In July 1936—and this was the first reference to joint local committees by the Joint Co-operative Committee in connection with line abandonments—in July 1936 the Canadian National consented to the issue of Reports 34 and 35 for study by joint local committees.

Q. Those are the subjects that are in Part III of Exhibit 37, at the top of page 175 of the proceedings?—A. Report 34 dealt with abandonment of the Canadian National line between Middleton Junction and Granville Centre, a distance of 22 miles. Report No. 35 dealt with abandonment of the Canadian Pacific line between Linwood and Listowel, a distance of 16 miles. I assume the Middleton Junction-Granville Centre line is in Nova Scotia. The Linwood-Listowel line is in Ontario. Perhaps I had better add the provinces in each case.

By Hon. Mr. Hugessen:

Q. You point is, neither line is in Quebec?—A. No, sir.

By Mr. Biggar:

Q. Yes.—A. This study was made under the simplification of Report No. 32, and in October, 1937, all necessary information had been received for completion of the agreements.

Q. That is, the information from the local committee?—A. The information was received by the joint co-operative committee from the joint local committees, and the agreements were completed under date of January 15, 1938. Those are the agreements now approved, and about to be submitted to the Board of Railway Commissioners for action. That is, they are concluded by the companies.

Q. In one case the Canadian National withdraws from the territory, and in the other case the C.P.R. withdraws?—A. Yes, sir. There was a change in the Middleton Junction-Granville situation, in that after Report No. 34 had been approved by the joint executive committee the Canadian National ceased operation, without co-operative effort, between Bridgetown and Granville Centre, and they asked to withdraw that portion of the abandonment from the co-operative undertaking. They preferred to make that exclusive abandonment. So in the co-operative abandonment under Report No. 34 the agreement covers the abandonment of the Canadian National between Middleton Junction and Bridgetown. The balance of the line, eight miles, Bridgetown to Granville, was made an exclusive Canadian National abandonment.

Q. I think that is dealt with in the note in regard to Report No. 34 on page 118 of the proceedings.—A. Yes, sir. In October, 1936, the Canadian National consented to the issue of Report No. 38—now Report No. 38A—in respect of the line between Louise and Deloraine, Manitoba. Report No. 40, St. Canut-Cushing Junction—

By Hon. Mr. Hugessen:

Q. That is not No. 40—it is No. 47—A. I beg your pardon. It is No. 47. That line is in Quebec. Report No. 61, Dranoel-Medonte, deals with a line in Ontario. Report No. 62 deals with the Ste. Therese-St. Eustache line, also in the province of Quebec. The Canadian Pacific was not particularly interested in getting a reply to the May 15, 1936, memorandum if the work was going forward, as the Canadian National had released all of the Canadian National line abandonments under Report No. 32. Consequently there was never occasion to discuss with the executive why they were not giving us a reply.

By Mr. Biggar:

Q. You mean they were not interfering with the improvements so far as the Canadian Pacific was concerned?—A. Yes, sir. There was only one other No. 32 type line abandonment.

Q. That is Report No. 32 type?—A. Report No. 32 type line abandonment. That is Report No. 39, Reston-Wolseley, a Canadian Pacific abandonment which I shall speak of shortly in another context. In October, 1936, at the same time as the Canadian National released these four reports for study, the Canadian National requested additional time for the study of the simplification of Report No. 23. The Canadian Pacific did not have the knowledge to simplify that report, but the Joint Headquarters Committee had already conferred in regard to it. In February, 1937, the Canadian National section released the Report No. 23 type agreements for study as follows: Report 33, Red Deer, Rock Mountain House, Alberta; Report No. 44, Langdon-Beiseker, in Alberta—

Q. No; that is Report No. 40.—A. I am sorry. There are two mix-ups in my memorandum. I apologize. No. 40, Langdon-Beiseker, in Alberta; No. 41, Alix-Nevis, in Alberta; No. 55, North Bay-Yellek, in Ontario, and Report No. 60, Fresno-Shawbridge and Joliette-Montfort Junction, in the province of Quebec. The Canadian National reserved study of Report No. 30, Bala Park-Wanup, and No. 36, Bird's Hill-East Selkirk, the former being in Ontario and the latter in Manitoba.

By Hon. Mr. Robinson:

Q. What do you mean by "reserved"?—A. The Canadian National felt there was no Canadian Pacific abandonment approved which was in substantial balance with these two Canadian National abandonments, and therefore would not release. The Canadian Pacific was prepared to release all its abandonments and felt that if this was to become a trading proposition, it should hold out the Reston-Wolseley proposal, Report No. 39.

By Hon. Mr. Murdock:

Q. Mr. Armstrong, I wonder if you would explain what seems to be conflict between Report Nos. 4 and 28, which do not involve line abandonments?

By Mr. Biggar:

Q. We were coming, Senator, later on to that in part I. It would be, I think, more convenient to deal with the line abandonments all together. You were telling us, then, Mr. Armstrong, about those Reports Nos. 30, 36 and 39. Report No. 39, Reston-Wolseley, was the last you mentioned.—A. Yes. The Canadian Pacific felt that if this was to be a trading proposition and the balancing of lines it would not be justified in putting out Report No. 39, for which the Canadian National had no equivalent territorial abandonment. For that reason these three reports were reserved for later consideration when some balance could be found.

By Hon. Mr. Calder:

Q. The C.N.R. made the first reservation?—A. Yes, sir.

By Mr. Biggar:

Q. What progress is being made in 33, 40, 41, 55 and 60?—A. In 33, 40 and 41 information is coming in from the joint operating and joint traffic committee. I think test periods have been agreed to in all those cases.

Q. You told me the joint operating committee made the reference to the local committees, sent out their questionnaires, and so on?—A. In the first few days of November.

[Mr. John E. Armstrong.]

Q. That is, in respect of all of them?—A. I beg your pardon. Yes, the first few days of March, 1937, immediately after the Canadian National consented to the issue of these reports.

Q. So those have been under study locally for approximately fourteen months now?—A. Yes. Substantial information has been received. It is not complete in all these cases, but it is coming in right along as rapidly as they can develop it. In connection with Report No. 55, North Bay-Yellek, Mr. Fairweather has spoken of the difficulties with which the Canadian National is confronted as to certain C.N. & N.O. traffic at North Bay. The Canadian Pacific had no knowledge of this until we heard this evidence.

Q. Until you heard it here, do you mean?—A. Yes. In connection with Report No. 60, Fresniere-Shawbridge and Joliette-Montfort Junction, he has spoken of the difficulties with which the Canadian Pacific is confronted in connection with this line to Ste. Therese and Montfort Junction, where a single track cannot under certain conditions carry the joint traffic at certain times. That Fresniere-Shawbridge portion is 23 miles. When it came to a study of new formation it was found that the abandonment could be made only from Fresniere to Papineau, a distance of 13 miles. The difficulty that Mr. Fairweather referred to is in connection with that portion of the abandonment. That difficulty does not apply to the Joliette-Montfort Junction portion of that report, which is 31 miles. That portion can go ahead.

Q. Notwithstanding the difficulty that has been mentioned?—A. Yes, sir. I think that clears up all I have to say with regard to line abandonment reports, Mr. Biggar.

Q. You have covered those in Part II on page 174. But what progress is being made with regard to 38A, 47, 61 and 62 in Part III?—A. The information in regard to 47, 61 and 62 is practically complete.

Q. Yes.—A. 38A, as far as I know, is very nearly complete, although the Joint Co-operative Committee has not yet received final details of that test. Periods have been agreed to, and we know certain work is complete and certain information is in, but it is not yet fully submitted.

Q. You refer to the information from the joint local committees?—A. To the Joint Co-operative Committee.

Q. So that, speaking generally, and apart from those three under Reports Nos. 30, 36 and 39, it ought to be possible for the Joint Co-operative Committee to come to agreements comparatively shortly just as soon as the information is available?—A. With the possible exception of 55 and a portion of 60.

Q. By reason of the difficulties you have just spoken of?—A. By reason of the difficulties I have just spoken of, yes, sir. The other reports that are not abandonment reports—

Q. Contained in Part I of Exhibit No. 37 at the top of page 174?—A. There are two of those outstanding. There is Report No. 27, joint switching in the Toronto area. If I recollect rightly, that is the case where Mr. Fairweather stated the Canadian Pacific refused to consider the co-operative project suggested by them. The situation in regard to that is that Report No. 27 was originally submitted to the Joint Executive Committee in December, 1933. It was approved by the Canadian Pacific executive. The Canadian National executive, feeling that there was unbalanced exposure of traffic in the respective areas—Mimico-Swansea and North Toronto-Leaside—asked to have that report reconsidered, and it was referred back to the Joint Co-operative Committee in October, 1934, from the Joint Executive Committee.

By Hon. Mr. Murdock:

Q. Would you define the words "unbalanced exposure of traffic"?—A. Perhaps I can explain that in this way. Traffic may be exposed to all kinds of cases. One is the Canadian National and the other is the Canadian Pacific.

The Canadian National, where it has an opportunity to reach traffic, does not wish to have that traffic exposed to Canadian Pacific competition, and the Canadian Pacific feels the same way, only the other way about. There is no difference between us, I think, in that respect.

By Mr. Biggar:

Q. Yes. It was referred back—A. —to the Joint Co-operative Committee in 1934. That was considered again in full detail, and gone into very thoroughly and the amount of traffic in each of the areas was considered. In October, 1935, the Joint Co-operative Committee confirmed its original report and that was approved by the Joint Executive Committee.

Q. And what has happened since October, 1935?

Right Hon. Mr. MEIGHEN: It has not been done yet.

The WITNESS: In November, 1936, Mr. Fairweather phoned me and said there had been a change in conditions, and they were not yet satisfied that the exposure of traffic was in balance in the respective areas. He suggested as an alternative that a joint section which exists in the North Toronto area—in that area, the Canadian Pacific own certain trackage, and the station which is used jointly by the Canadian National under a normal joint facility agreement—he suggested that in respect of report No. 27 we study the matter from the angle that the Canadian National do the Canadian Pacific switching in the Mimico Swansea area, and that the North Toronto joint section be extended westerly to the crossing of the Canadian National Toronto-North Bay line over the Canadian Pacific line through North Toronto, so that the Canadian National would get on to the joint section at that point and do their own switching in the North Toronto area.

By Right Hon. Mr. Meighen:

Q. Was not Mr. Fairweather a member of the Joint Co-operative Committee which had twice agreed to that?—A. Yes.

By Mr. Biggar:

Q. And what happened?—A. My reply was that this matter had been studied twice, had been agreed to by the Joint Executive Committee and approved, and we had instructions to go ahead with it; that in my opinion his proposal was an extension of a joint facility and had no elements of co-operation as far as I could see; that if we were to study it on that basis I would prefer that it be referred by the Joint Co-operative Committee to the Joint Executive Committee. Mr. Fairweather said that if the Joint Co-operative Committee did not agree on this, he thought it would be desirable for the Joint Executive Committee to refer it back to us in that way. Since October, 1936, we have heard nothing from the Joint Executive Committee.

Hon. Mr. HAIG: That seems to be the place where everything dies.

By Mr. Biggar:

Q. Now, what about report No. 52?—A. Joint engine houses at Ottawa.

Q. Yes.—A. Under report No. 52, after about two years of study by a joint local committee, the Joint Co-operative Committee thought it had received the complete information necessary for the preparation of an agreement under this report. It was found, however, that the information was either lacking or erroneous in certain respects, and in May, 1936, returned this information for revision.

Q. You mean you sent it back?—A. To the joint local committee for further consideration and revision.

[Mr. John E. Armstrong.]

By Hon. Mr. Gordon:

Q. Is that in respect of Port Arthur?—A. No, sir. This is the joint engine houses at Ottawa.

By Mr. Biggar:

Q. Yes?—A. We have heard nothing of it since, in Joint Co-operative Committee Mr. Fairweather stated that a change in situation in Ottawa led them to believe it was no longer economical. But the matter is not moving.

By Hon. Mr. Parent:

Q. Has the point ever been considered of having one of the two lines running parallel from Montreal to Ottawa abandoned? Has this condition ever been discussed between the two joint committees?—A. The abandonment of one line or the other between Montreal and Ottawa?

Q. Yes.—A. No, sir. It has not been seriously discussed in the Joint Co-operative Committee. It was referred to our traffic passenger managers, and their study of the situation indicated what I believe to be correct, that while these lines are common at the two ends they serve distinctive territories between Ottawa and Montreal.

Q. Then, so far as the pooling of trains is concerned, apparently there are no pool trains between Ottawa and Montreal?—A. That is correct.

Q. Why?—A. For very much the same reason—the local traffic must be taken care of as well as the through traffic.

Q. Has that been considered?

Mr. BIGGAR: You will find that subject, Senator—

Hon. Mr. PARENT: I am putting the question.

Mr. BIGGAR: I was going to say—

Hon. Mr. PARENT: I am speaking now.

The WITNESS: That has been considered by our passenger traffic managers.

Mr. BIGGAR: You will find it all before the committee in one of the exhibits. I cannot give you the page at the moment, but the discussion has been before the committee.

Hon. Mr. PARENT: I will find it somewhere, yes.

The CHAIRMAN (Hon. Mr. Beaubien): I suggest that we allow the witness to give his testimony in order. We will get through it in that way much better. Unless it is absolutely necessary, in order to make the proceedings intelligible, it is better, I suggest, for the senators to make a note of what they want to ask and at the end of any section to put the questions in order to clarify the situation on that section. For instance, we are going to enter into the pooling of trains, so it is quite possible that when the witness has given his answers there will be no need of any further questions to clarify the subject.

Hon. Mr. PARENT: Are we discussing No. 52, Ottawa joint facilities? That is quite connected with my question.

The CHAIRMAN (Hon. Mr. Beaubien): I am not making any criticism at all, senator. I do not intend to make any criticism. I am just suggesting to you that perhaps that would be the best way of conducting the investigation.

Hon. Mr. CALDER: With this exception, that if we do not quite understand the evidence we may ask a question on the evidence as given.

The CHAIRMAN (Hon. Mr. Beaubien): Certainly.

By Hon. Mr. Calder:

Q. Now, I gather that you have dealt with the situation regarding all the subjects that have been dealt with in reports for action by the Joint Co-operative Committee?—A. And that have not yet reached the agreement stage. Yes, sir.

By Right Hon. Mr. Meighen:

Q. Before you pass from No. 52, the Ottawa joint facilities. Did I understand you to say the Joint Co-operative Committee had agreed on something which has not been carried out?—A. Yes, sir. We have completed report No. 52. It has gone to the Joint Executive Committee, has been approved there and returned to the Joint Co-operative Committee to make the necessary agreement. It was then sent to the joint local committee to develop the detailed information, and was returned to the Joint Co-operative Committee, presumably complete, for agreement purposes. At that date the information was found to be incomplete or erroneous in some respects for agreement purposes, and it was returned to the joint local committee and has not yet been returned to the Joint Co-operative Committee.

By Hon. Mr. Calder:

Q. You have not abandoned the idea?—A. No, sir. We will have instructions to make an agreement under No. 52.

By Mr. Biggar:

Q. We had better return to the matters still under consideration by the Joint Co-operative Committee and not yet the subject of reports—or am I asking you to take this up in an order different from the one which you prefer?—A. That is quite all right, Mr. Biggar. I have some notes on that.

Hon. Mr. MURDOCK: While on Part I, could we not have found out what appears to be the conflict between 4 and 28, both of which have to do with the pooling of trains?

Mr. BIGGAR: We are coming to the pooling of trains.

The WITNESS: I think it might be well to divide the projects under consideration but not reported upon into two categories, one, that in which the matters are now before the Joint Co-operative Committee, and the other, that in which the project is before a joint local committee. I will speak first of those in the hands of the joint local committee.

By Mr. Biggar:

Q. That is to say, that have simply been considered by the Joint Co-operative Committee, and sent by it for preliminary inquiry to a local committee?—A. Yes, sir.

Hon. Mr. CALDER: Before that is proceeded with, may I say a word? I am sitting very close to the witness, and see exactly what is happening. The witness must have a staff with him to handle the enormous amount of papers they have. They have these papers on their laps, and I think there might be a table put here so that they could handle them more easily.

The CHAIRMAN (Hon. Mr. Beaubien): If it is possible, we shall do that; but you can see how crowded we are. I do not know whether there is space for a table. If there is, we will put one in.

The WITNESS: I think, senator, the files will decrease very rapidly, and we will struggle along and bear the burden cheerfully.

Hon. Mr. CALDER: It took about five minutes to get the last paper.

The WITNESS: In connection with the proposed line abandonment between Woodstock and Windsor, this study was first referred to a joint local committee in July 1934, and in September 1934 the joint local committee's report was submitted to the Joint Co-operative Committee. This was one of the very early investigations before either the Joint Co-operative Committee or the joint local committees knew definitely the type of information required for agreement purposes. In February 1935—and this was in the period when the pooling of passenger trains in the west of Toronto area was under considera-

[Mr. John E. Armstrong.]

tion—the Canadian Pacific advised the Canadian National section of the Joint Co-operative Committee that it would prefer not to study both line abandonment and train pooling in the same territory at the same time. It was sufficiently complicated for the local officers to study one or the other, without mixing them together and getting completely lost in the matter. Therefore that study was held up until the completion of Report 58 in February 1936. In March 1936 the Canadian Pacific section suggested that the report that had been made by the joint local committee in 1934 be referred back for further consideration. There had been certain changes in conditions on the ground in that interval of two years approximately, and our knowledge of what we required for handling matters of that kind had vastly increased. In May 1936 it was referred back for reconsideration. The Canadian Pacific section of the joint local committee completed its studies of the matter along last winter some time. It was having some difficulties in arranging a convenient date for joint meetings with the Canadian National section of the same joint local committee, but in March 1937 the Canadian Pacific section of that committee had prepared a draft report for the Joint Co-operative Committee, that is for forwarding to the Joint Co-operative Committee, and sent it to the Canadian National section for their consideration. I will call attention to the fact that in certain evidence given the other day Mr. Fairweather stated that the Canadian National has a double track line in the Woodstock-Windsor territory. This is only partly true, unfortunately. There is a stretch of 20 miles of single track line between Komoka and Glencoe, which is the meat of the nut that they have to solve in the joint local committee. To put the main line traffic of the Canadian Pacific over that single track line, together with the Toronto-Detroit traffic of the Canadian National, simply means that the line cannot handle it. They are up against signalling or double tracking or something, I believe. Anyway, since March 1937, I believe, the Canadian National section of the joint local committee has been struggling with that situation to determine what could be done; and we were advised in February of this year, I think it was, that the two sections were now attempting to draft a joint report to the Joint Co-operative Committee in regard to the situation. What that report will display, I do not know, for it has not been received yet.

By Mr. Biggar:

Q. What is the next?—A. There has been some discussion of line abandonments—I mean some discussion in this honourable committee—of line abandonments in the territory between Sudbury and Winnipeg. I believe that those discussions had to do basically with unification suggestions, but there have been co-operative line abandonment suggestions in that area also. Two joint local committees have been set up to cover that entire area, to develop the necessary information to determine wherein the greatest economy may lie.

By Hon. Mr. Calder:

Q. That is between what two points?—A. Between Sudbury and Winnipeg. The greatest economy may lie in line abandonment; it may lie in diversion of traffic from one line to another and degrading the line from which the through traffic is removed, or in any other way that the committee may develop by their information. There are two joint local committees because it happens that the dividing line between the Canadian Pacific so-called eastern lines and western lines is in the territory between Sudbury and Winnipeg, and the division between the Canadian National central region and western region is also in that area. So one local committee is considering the western end of it and another local committee is considering the eastern end of it. The Joint Co-operative Committee, when it receives these two reports will collate them and develop as best it may wherein the greatest economy under co-operation lies in that territory.

By Mr. Biggar:

Q. How long have those local committees been at work?—A. If I recall correctly, that questionnaire was put out about two years ago. I cannot be positive of that date, but it has been quite a while. There are approximately 3,000 miles of railway to study there and determine what should be done with it.

Hon. Mr. ROBINSON: Where is that on the map?

(The location is pointed out on the map.)

The WITNESS: The dividing line between the Canadian Pacific eastern and western lines is at Fort William-Port Arthur. The blue lines west of there, on the map, are Canadian Pacific western lines; the blue lines east of there are Canadian Pacific eastern lines. The dividing line between the central region and the western region of the Canadian National is at Armstrong. The red lines west of there are Canadian National western lines, and the red lines east of there are Canadian National central region lines.

By Hon. Mr. Calder:

Q. Does that include the line that runs down into the United States?—A. Yes sir, the Fort Frances line.

By Hon. Mr. Dandurand:

Q. You say there are 3,000 miles. That covers the two railways?—A. Yes sir. That has to be studied in order to discover wherein lies the greatest economy, and that is not at all a small piece of work.

By Mr. Biggar:

Q. Can you tell us who the members of those local committees are?—A. I cannot tell you, Mr. Biggar. The Joint Co-operative Committee requests of the vice-president in charge of the territory in which a project lies that he have a section of a joint local committee appointed. The Canadian National vice-president appoints one section and the Canadian Pacific vice-president appoints another, and they together constitute the local committee.

Q. Where could we find out the membership of those committees, who the individuals are?—A. I can secure that for you.

Hon. Mr. ROBINSON: I should think you would need several local committees to deal with such an extensive line.

By Mr. Biggar:

Q. You can get us a list of those individuals?—A. That can be done. I do not know that it would be of any material advantage, would it? The personnel may change from time to time. There are operating officials on it, and express officials, and communications or telegraph officials, and maintenance of way officials on it. The whole organization is concerned in it—the mechanical department would also be represented.

By Hon. Mr. Horsey:

Q. There is a large personnel?—A. Yes sir.

By Mr. Biggar:

Q. And each railway is represented by corresponding officers upon it?—A. Yes. The various portions of the work are matched off together and studied individually by the local committees, and then brought together before the Joint Co-operative Committee. Under these conditions, do you want the names of the joint local committees?

[Mr. John E. Armstrong.]

Q. How many names would there be?—A. I imagine the Canadian Pacific would have occasion to consult with perhaps twenty different officers on the eastern lines end of it, and perhaps the same number on the western lines end of it. I doubt if the joint local committee would consist of that number, but their experience and knowledge would be called for from time to time.

By Hon. Mr. Calder:

Q. They may vary from time to time?—A. Yes sir, because there are changes in officers from time to time, and representation is by position.

By Mr. Biggar:

Q. Would there be separate sections of that joint local committee for eastern and western lines?—A. Yes sir.

Q. And the same thing with regard to the Canadian National?—A. Yes.

Q. So that really that committee would consist of four sections?—A. Yes, four joint local committees.

By Right Hon. Mr. Meighen:

Q. It is really one problem. It is of enormous extent, but I cannot see how you can divide it?—A. It will be one problem when the information is gathered. But there is a lot of detailed information to be obtained in regard to various engine districts—that is the real dividing point—having to do with miles of line, which line could be operated to the greatest advantage, and so on. It is detail, detail, detail, under one vice-president for the area west of Port Arthur and under another vice-president for the area east of Port Arthur. This mass of detailed information when it is assembled will have to be coordinated by a system committee, if you choose, and that is the Joint Co-ordinative Committee.

By Hon. Mr. Calder:

Q. Do you have all your records end at that divisional point?—A. Yes sir.

Q. That is, your records of freight and express and everything west of Port Arthur are kept separately from the records of those services east of there?—A. Yes. The local records are divided at that point. I cannot answer you as to the headquarters records in Montreal, because I do not know.

By Hon. Mr. Robinson:

Q. About how much of that mileage is C.N. and how much C.P.?—A. You know there was about 3,000 miles altogether?—A. Roughly it is two-thirds C.N. and one-third C.P.

By Mr. Biggar:

Q. That completes what you have to say about Sudbury-Winnipeg?—A. Yes.

Q. What is the next?—A. The next study in the hands of the joint local committee is the suggested line abandonment project between Bruderheim and Edmonton. That was referred to a joint local committee first in July, 1934—after, I should say that we received our first report from a joint local committee in July, 1934. That was obviously deficient in certain respects in regard to information, and the Canadian Pacific asked to have it referred back for consideration and completion. I may say that this lack of complete information in these early joint local committee reports is not at all a matter of surprise. We did not understand what the whole problem was, and they gave us the information they could, but as we studied it and found we needed more or different information we had to develop a system of working.

Q. Exactly.—A. In June, 1937, the project was referred back for reconsideration, and that has not yet been reported upon subsequently by the joint committee.

By Hon. Mr. Calder:

Q. What mileage was involved there?—A. 33 miles.

By Mr. Biggar:

Q. Next?—A. The next is Winnipeg-Morris. That is the line south from Winnipeg. There are Canadian National and Canadian Pacific duplicating lines immediately south of Winnipeg.

Q. What mileage is involved?—A. A distance of approximately 40 miles.

By Hon. Mr. Haig:

Q. With a bus line in between.

By Mr. Biggar:

Q. What is the position of that?—A. The joint local committee report the abandonment of the Canadian Pacific line, which is the blue line that Macnabb is pointing out on the map, was received by the joint operating committee in September, 1935, and we have not yet received the joint local committee report on the alternative of the Canadian National abandonment between the same terminal limits. Until we can determine which is the more desirable abandonment there cannot be a test.

Q. One abandonment against the other?—A. It is the same local committee which had the job of studying both lines. They have reported on one of them not on the other.

Q. Do you know why?—A. I could only guess why.

Q. You mean you have no information?—A. No information.

Q. What is the next?—A. The next line about to be studied by the joint local committee is the line between Brandon and Maryfield.

Q. How far is that?—A. That is progressing as far as I know quite satisfactorily. There is a peculiarity in that particular situation that has raised a little difficulty in this way. The original suggestion for studying was that the Canadian National abandon between Brandon and Maryfield. (Will you point the lines out, please, Mr. Macnabb, on the map.) That is the red line between Maryville and Brandon, with the blue line west of Maryfield to Peebles abandonment. When a study was made of the abandonment of the Canadian Pacific line between Maryfield and Peebles, it became rather obvious to the Canadian Pacific that there would be no purpose to be served in holding two stub lines, one from Reston to Marfield and the little stub line between Peebles and Wolseley, which is the other end on the map. With its lesser traffic service there would be no object in taking running rights over the red line between Maryfield and Peebles. Therefore the Canadian Pacific said, "Why should we not abandon that entire line between Reston and Wolseley as a territorial abandonment and leave the territory to the Canadian National?" Report No. 39 therefore was prepared, submitted and approved on that basis.

Now, had we gone on with the idea of abandoning the Canadian National line between Brandon and Maryfield, you see the whole situation would have been upset and the National could not have got to their line between Maryfield and Peebles to carry on. So that study had to be abandoned. The suggestion of abandonment which is now under study is the Canadian National line between Brandon and Maon. That, I think, is something over 50 per cent of the entire distance from Brandon to Maryfield. So sometimes work is wasted.

Q. When was that last reference made, the Brandon-Maon abandonment?—A. I cannot put the date on that at the moment, Mr. Biggar.

Q. About how long ago?—A. That would be about the time that Report No. 39 was submitted, or slightly prior to that. I have not Report No. 39 before me here.

[Mr. John E. Armstrong.]

Right Hon. Mr. MEIGHEN: Mr. Chairman, are we using our time to advantage in going all over these abandonment proposals again? We had them from Mr. Fairweather. Would it not be better to take such instances where Mr. Armstrong has divergent views on behalf of the C.P.R., or divergent explanations?

Hon. Mr. DANDURAND: I felt the same way, that where there is no difference of opinion between the C.P.R. and the C.N.R. on statements made by Mr. Fairweather we need not cover the same ground.

Right Hon. Mr. MEIGHEN: No.

Hon. Mr. DANDURAND: Only where there is a divergence would it be necessary.

By Mr. Biggar:

Q. Will you go on, Mr. Armstrong, on that footing?—A. In view of the remarks, I will confine myself to any further explanations where a divergence of opinion exists.

Q. Yes.—A. First, in the Kamloops-Vancouver territory. That is the red and blue line turning out to Vancouver at the westerly end of the map. The Canadian Pacific has been very anxious to get that particular territory under study and has been pressing for that for about four years now. The first reference to a joint local committee was made in May, 1938, since this present honourable committee began to sit. In regard to that particular territory, by way of information I may say that Mr. Fairweather stated there were only two Canadian railway lines giving access to Vancouver. I think he simply misspoke himself. In that territory there are those two lines, and to the south there is the Kettle Valley Railway, which also gives access to Vancouver. It is the line which the Canadian Pacific uses for detouring traffic when necessary, as traffic from the east to Vancouver may be sent back on that upper line.

By Hon. Mr. Calder:

Q. You have a connection between the prairies and the Kettle Valley?—A. Yes, sir. The line runs through from Lethbridge. Mr. Macnabb is showing it on the map.

By Hon. Mr. Buchanan:

Q. It runs from Medicine Hat to Vancouver.—A. Yes, sir.

By Hon. Mr. Calder:

Q. All rail, is it?—A. Yes.

By Hon. Mr. Robinson:

Q. How far from Vancouver does it join the other line?—A. It is something less than 100 miles.

Right Hon. Mr. MEIGHEN: It joins at Hope.

By Hon. Mr. Robinson:

Q. Beyond that there are only two lines.—A. You mean through the canyon?

Q. Yes.—A. Yes.

By Mr. Biggar:

Q. What is the name of the pass through which the Kettle Valley goes?

Hon. Mr. HAIG: The Crow's Nest.

By Mr. Biggar:

Q. You were showing that there were really three lines into Vancouver.—A. From the east giving access to Vancouver there are two, one the Canadian National and one the Canadian Pacific. Southerly the Canadian Pacific Kettle Valley line joins the Canadian Pacific west of this canyon.

Q. Mr. Fairweather said there could not be any abandonment there for certain reasons.—A. The territory is under study. I am not prepared to say what the conclusion of that study will be. I do not know whether there will be an abandonment or not.

Q. What efforts, up until just now, have the Canadian Pacific taken to have that studied?—A. The Canadian Pacific has presented various questionnaires for approval by the committee of the Canadian National section looking towards the issuing of a questionnaire to a joint local committee, but until within the last two weeks it has been unable to secure a satisfactory questionnaire for that purpose. This unfortunately is not a complete questionnaire; it only covers certain features of the matter; but we would rather have a little under study than none.

Q. I see.—A. Mr. Fairweather agreed with the suggestion of someone in this honourable committee that there was practically no development on the Canadian Pacific line between Kamloops and Hope. There is a population tributary to that line of some 2,400 people, and the station earnings on that line in 1937 were in excess of \$200,000.

Q. Taking all the stations together?—A. Yes, sir.

Q. Does that complete that situation?—A. That completes the Kamloops-Vancouver matter, unless there are questions on it.

Q. Is there anything more to be said about the others?—A. Speaking of the proposition for a joint terminal at the lake head, that is Fort William and Port Arthur, Mr. Fairweather stated that the Canadian Pacific at that point did all its switching in flat yards, whereas the Canadian National had a modern hump yard at Neebing, practically in that territory. I think Mr. Fairweather was misled in some way in that, because the Canadian Pacific has had a hump yard at Westfort, which is immediately west of Fort William. It takes its name from West Fort William. We have had that since 1912, and it was enlarged and modernized in 1926. As a matter of fact, it is considerably larger for the east-bound traffic, which is the traffic which requires detail switching, for which a hump yard is advantageous. It is larger than the Neebing yard. The Westfort yard has 13 receiving tracks with 940 car capacity; the Neebing yard has 10 east-bound receiving tracks with 850 car capacity. The Westfort yard has 33 classification tracks with 1,535 car capacity; the Neebing yard has 25 classification tracks with 1,125 car capacity. So that the total east-bound portion of those two yards are, for the Canadian Pacific 2,475 cars; for the Canadian National 1,975 cars.

I think perhaps what misled Mr. Fairweather is the fact that the Canadian Pacific has a flat yard in Fort William where it handles its west-bound switching. There is very little switching on the west-bound trains during the season because they are just empties going back to the prairies. At times when the traffic falls off so as not to warrant operation of the hump yard, all of its switching is done in the Fort William yard. I understand the Canadian National have a flat yard in Port Arthur, and that they operate the Neebing yard and the Port Arthur yard continuously; that is, there is no closed period for the Neebing yard. Perhaps that is the source of Mr. Fairweather's misunderstanding.

By Hon. Mr. Hugessen:

Q. Do you use the Westfort yard for switching cars to the grain elevators?—A. Yes, sir. That is the yard in which the grain is classified, and as a matter of fact we find our 33 classification tracks are not a sufficient number of classifications.

By Mr. Biggar:

Q. That has been under study for some little time?—A. Yes, sir.

Q. And what has stood in the way of progress?—A. I think I will ask [Mr. John E. Armstrong.]

Neal, when he is giving evidence in regard to western line conditions, answer that question. He is the vice-president who appointed our western member of the committee. I do not understand in detail just what that situation is.

I may say, however, that the Canadian Pacific Westfort yard is more conveniently located in respect of the waterfront facilities, the grain handling facilities, than Neebing. It is closer to them, and such preliminary reports as have been seen, in part jointly prepared, indicate that the joint local committee, in their preliminary studies, were inclined to adopt the Canadian Pacific yard at Westfort rather than the Canadian National yard at Neebing, which is farther away from the lake-head activities.

Q. Now, are there any other cases that are under study by local committees that you wish to make some remarks upon with respect to Mr. Fairweather's statement?—A. I think not. There are, however, some in the hands of the Joint Co-operative Committee.

Q. Now, the other group?—A. The other group, which have not culminated in reports.

Hon. Mr. MURDOCK: I wonder if we could get Mr. Armstrong's opinion about lines between Hope and Vancouver. Mr. Fairweather expressed the opinion, I recall it, that to unify those roads, or to use just one, would not sufficiently accommodate the traffic under reasonable business conditions.—A. The Canadian Pacific line between Hope and Vancouver is a double track line from Ruby Creek. It is single track from Ruby Creek to Petain, which is a matter of a few miles, where it crosses the river to Hope. There is no reason why that double track will not handle the business of the two lines. There is a question as to whether either one of the single track lines from Kamloops to Hope will handle the total business.

By Hon. Mr. Calder:

Q. I thought Mr. Fairweather took the view that it would not be in the public interest to abandon either of those lines, because of some occurrence that might put the one that would be left out of business. Mr. Fairweather did not say anything about the Kettle Valley railway, but if you had a large crop in western Canada and there was a movement of many thousands of cars of grain, could you not take that over the Kettle Valley railway, could you?—A. May I answer indirectly in this way, please? From 1933 to 1937 inclusive, the Canadian Pacific detoured 27 trains over the Canadian National.

Q. What did they carry? Passengers or freight?—A. Principally passengers,

By Hon. Mr. Hugessen:

Q. As a result of washouts?—A. Blockades of the line.

By Hon. Mr. Calder:

Q. Suppose you abandon the Canadian National line, and use your line, and a disturbance take place during the movement of wheat could you carry wheat over your railway? That is a pretty twisty railroad, and has steep grades.—A. My point was to indicate that our having had occasion to reroute, as we call it, 27 trains from the Canadian Pacific to the Canadian National in that Kamloops-Hope territory in the five-year period is an indication that the severance of that line is not a frequent occurrence.

Q. You may have an earthquake which will smash the passes.—A. Yes,

By Mr. Biggar:

Q. I gathered from what you said that you thought there was a possibility worthy of study, and that you had succeeded in having a partial questionnaire issued in the last few weeks.—A. Yes, sir.

Q. And you are not prepared to express an opinion one way or the other as to the possibility of economy until the study is complete?—A. I prefer not to; to let the study stand on its own feet.

By Hon. Mr. Hugessen:

Q. As regards that section between Hope and Vancouver, Mr. Fairweather said, as I recall, that the Canadian National derived considerable rentals which were paid by the Great Northern Railway, and which were greater than the economy.—A. I have no knowledge of that at all.

By Hon. Mr. Buchanan:

Q. I thought that was beyond Hope.—A. It was between Hope and Vancouver, if I recall it.

By Hon. Mr. Murdock:

Q. Where is Hope there on the map? That is where the Kettle Valley comes in.—A. To complete my statement, there were 74 National trains diverted over the Canadian Pacific during the same period. The Canadian National has a newer line; the roadbed is not as well consolidated as ours.

Q. I understand Mr. Fairweather to suggest that between Hope and Kamloops the line of the Canadian National should be used for freight, and that the passenger traffic should be carried over the C.P.R.—A. That is a suggestion of many years' standing.

Q. Is that feasible and economic?—A. I do not know. A study will tell that.

Q. They are investigating that particular matter at the present time?—A. Not yet. It is not included in the partial questionnaire, but there are questions of that kind to have these local studies.

By Mr. Biggar:

Q. Now, cases actually under study by the Joint Co-operative Committee after report from the local committee?—A. Yes, sir. I think I should start the group by saying that the Canadian Pacific accepts full responsibility for the delays that are occurring in connection with the proposed Canadian Pacific abandonment between Shannonville and Darlington.

By Hon. Mr. Haig:

Q. Where is that?—A. Shannonville is a short distance east of Belleville and Darlington is a short distance east of Oshawa.

Q. Between Belleville and Oshawa?—A. Yes, roughly.

By Hon. Mr. Dandurand:

Q. How many miles is that?—A. Eighty-five miles.

By Mr. Biggar:

Q. Yes?—A. The Canadian Pacific is confronted with a purely Canadian Pacific disability there. It now has exclusive individual rights as far as freight is concerned in the very thriving industrial towns of Belleville, Trenton, Cobourg, Port Hope and Bowmanville. There are other towns, but those are the main ones. It has already retired from that territory in so far as passenger traffic is concerned, with the exception of one sleeper train in each direction at night. The other Canadian Pacific passenger trains are taken out of that territory under the pooling arrangement under Report No. 28.

The Canadian Pacific feels that it wants representation in those centres, has not discovered how to retain that and abandon its local facilities. Canadian National has urged that that, in part, would be compensation for

[Mr. John E. Armstrong.]

abandonment of their line between Bala Park and Wanup. The major industrial centre, I believe, in the Bala Park-Wanup territory is Parry Sound. At Parry Sound they retain all their local freight facilities, not their passenger facilities, but that is all they would give up there by the contemplated abandonment under Report No. 30.

By Hon. Mr. Hugessen:

Q. Surely that is only a matter of figuring the respective balances of advance and loss, is it not?—A. Yes, sir. The difficulty is to know how to figure that.

Q. Have you arrived at any sort of formula for that?—A. Not in a case of that kind, where the volume of traffic is so great. In the short distance of a few miles, even in the poor times we are having, the Canadian Pacific earnings are in excess of \$2,000,000 per annum.

Q. I was wondering whether a study of abandonments where one line is abandoned and the tracks of the other, would not help you?—A. It is helpful in developing a principle, but not so helpful in applying it to the much more severe case.

Q. I can see that.—A. One can take a chance on small things, but it is not wise to take it on things many times larger.

By Hon. Mr. Calder:

Q. In other words, both companies are anxious that they should be pretty well on a balance?—A. Yes, and neither company wishes to give up representation where it thinks it would mean a net loss to do it. You can show a dollars and cents economy so far as this territory is concerned, but beyond that territory dollars and cents gain converts itself into a net loss. The Canadian Pacific is not convinced that that particular abandonment will result in a net gain between Shannonville and Darlington.

By Hon. Mr. Robinson:

Q. This is a competitive line?—A. Yes, sir. The two lines run through the same towns.

Q. Which was built first?—A. The Canadian National.

Q. It was originally all Grand Trunk territory, pretty much, was it not?—A. Yes, sir. In fact, most of Ontario was Grand Trunk territory before the Canadian Pacific was incorporated. That particular line is our main line between Montreal and Chicago, our light grade through line, on which freight and passenger business moves.

By Mr. Biggar:

Q. Now, the next one?—A. Arnprior-Eganville. Mr. Fairweather spoke of that the other day as Report 29, that had been withdrawn—approval of it by the Joint Executive Committee had been withdrawn at the request of the Joint Co-operative Committee, to permit of further study. That has been in the hands of the Canadian National since October, 1935, and Mr. Fairweather said the other day it was hoped to be able to have something on that in the near future.

Q. What has the Canadian Pacific had to do with it since 1935?—A. Nothing, we have the Canadian National has undertaken to offer an alternative.

Q. And you are still waiting for that, since 1935?—A. Yes, sir.

Q. Now, any other?—A. Regina-Moose Jaw is in hand. There is nothing new except that we are having difficulty. There is no special difficulty. Portage la Prairie-Gladstone, and Miniota-MacGregor. We have just read the reports.

Q. Those are ones we have already dealt with?—A. I think so, perhaps.

Q. Yes?—A. The next is in connection with the Saskatoon-Unity territory. It is a total distance of 120 miles. Mr. Fairweather stated, as I understood—

I think it must have been a slip of the tongue—that the Joint Co-operative

Committee had decided that sixty miles of this line could not be abandoned and that the remaining sixty miles were still under study. The situation regard to that, so far as the Canadian Pacific section is aware, is that the entire territory is still under study. We were progressing to a certain conclusion in connection with that proposed abandonment and it did not seem to be coming out the way it looked that it ought to be coming out. That made us scratch our heads a little bit, and I think it was the National which suggested that the difficulty was coming from the fact that we were not properly treating the cost of relocating the abandoned telegraph lines from the abandoned railway over to the continuing railway right-of-way. That was referred to a special committee to consider. I think that that committee is discovering that we had been using such figures not only with regard to the Saskatoon-Unity area but elsewhere erroneously. And as far as the Canadian Pacific is aware, with regard to the entire study between Saskatoon and Unity, the information in regard to the telegraph line costs should be properly and justly handled under co-operative undertakings.

By Hon. Mr. Hugessen:

Q. Mr. Fairweather stated that one of the difficulties was that if you abandoned the whole of that line you would leave the town of Wilkie five miles away from railway communication.—A. That again is not correct. Through Wilkie there is an east-west Canadian Pacific line and also a north-south Canadian Pacific line.

Q. So that Wilkie could be served by the north-south line?—A. Yes. Various abandonments have been considered in that Saskatoon-Unity territory, some of which were for abandoning the east-west line through Wilkie and some for abandoning the north-south line through Wilkie. There are several combinations of abandonment in that 120 miles of territory.

By Mr. Biggar:

Q. Yes?—A. Mr. Fairweather also stated that the construction of the two lines, the Grand Trunk Pacific and the Canadian Pacific, was carried on concurrently—I have forgotten his wording—that it was another case of competitive drive in that territory. The facts in regard to that are that the Canadian Pacific road map and location plans and all that for that line between Saskatoon and Unity were approved in 1905. We had all final approvals of that in 1905 and construction was started in 1905. The first plans for that territory were filed by the Grand Trunk Pacific in 1906. If there was competition, the Canadian Pacific was there first, at least.

By Hon. Mr. Robinson:

Q. I suppose you went there because the Grand Trunk Pacific was coming in?—A. I do not think we had any knowledge of where the Grand Trunk Pacific was going until it filed its plans. And we were under construction a year before that.

Q. I always thought that northern territory was C.N.R. territory, and that there was a good deal of competition and encroachment by the Canadian Pacific on Canadian National territory.—A. The Canadian Pacific was in the territory first, in that particular territory.

Hon. Mr. ROBINSON: I am being enlightened on that.

By Hon. Mr. Dandurand:

Q. But the Canadian Pacific knew that the main line of the Grand Trunk Pacific was running up towards Edmonton?—A. I expect they did know that in those days. I cannot speak for the personal knowledge of those gentlemen some thirty odd years ago.

[Mr. John E. Armstrong.]

Hon. Mr. HAIG: That Canadian Pacific line there (indicating on map) was in operation in 1897, because I rode on the Canadian Pacific up west of Yorkton that year.

Hon. Mr. CALDER: I was up there in 1887, and it was a way up past Minnedosa then.

The WITNESS: The Canadian Pacific was first in a lot of those western territories. I think the reason for that is that when the Canadian Pacific started west, heading for the Pacific coast, it was more or less definitely headed for Yellowhead Pass, the Pass through which the Canadian National now goes. That was the original intent, and that was pretty nearly the original location of the Canadian Pacific, as laid out by Sir Sanford Fleming. It was only when the Rogers Pass was found that it became possible to build the southern line. The Rogers Pass is the Pass at which is located the Connaught tunnel of the Canadian Pacific.

By Mr. Biggar:

Q. What is next?—A. There are the Okanagan Valley services.

Q. Yes?—A. Mr. Fairweather stated yesterday that that would amount, under present information, to about \$10,000 per annum. He is approximately correct. The situation is that after this Report 11, the Okanagan Valley report, was referred back to the Joint Co-operative Committee from the Joint Executive Committee, because of the peculiar passenger rate situation that developed in connection with it, it was sent to a joint local committee and studied on a different basis, after we discovered what that different basis would be; and in October, 1935, the Canadian Pacific section sent to the Canadian National section its analysis of this resubmission, which indicated a saving of approximately \$11,000 a year. I do not quibble over the difference between \$10,000 and \$11,000 as an estimate. So far we have not had a reply.

Q. So that you do not know what the order of the amount of saving on the new basis is likely to be?—A. In the opinion of the Canadian Pacific, it is of the order of \$11,000. We have had nothing from the National Railways in regard to that.

By Hon. Mr. Calder:

Q. Do you agree with Mr. Fairweather's statement regarding that passenger rate difficulty?—A. I am sorry to say I do, senator. We could not find a solution.

By Mr. Biggar:

Q. Perhaps you might deal generally with the question of the delay in getting these agreements into effect. You have dealt with the particular cases. Could you say anything generally on that subject?—A. It seems to me that the difficulty in getting the co-operative projects into effect lies inherently in the distinctly different interests of the two competing companies. There are always two sides to a sheet. But while one man can only see one side, no matter how hard he tries to see the other, and the reverse is true with regard to the other man, it must take time to get together on our views. Perhaps a way of bringing out that is to refer to what I said about the relative ease of reaching a conclusion in regard to a line abandonment under a single company, under two companies separately, as compared with the numerous involved and complicated and difficult steps that it is necessary to go through under cooperation. That is, the same difficulties do not exist under a single management.

Q. Of the time that has been taken up, how much has been taken in ascertaining whether a thing ought to be done and how much in determining how to distribute the burden and advantage?—A. Well, that could only be a guess,

because it varies in every case. I would say approximately 50-50. Perhaps I am not understanding your question. Do you mean how much time does it take to make a report, and after that how much time does it take to make an agreement? Or do you mean after the report has been approved—

Q. What I really had in mind was this. You have two problems. First you have to decide if it is wise to do a certain thing, physically; and then, when you have decided it is wise to do it, you have to determine how to distribute the burden and advantage.—A. I think the decision as to the wisdom of doing it at all is covered at the time that the report of the Joint Co-operative Committee is referred to the Joint Executive Committee. But the details of how to do that thing that it has been decided should be done, that is where the agreement comes in.

Q. And the proportion of time for each would be about 50-50?

By Hon. Mr. Calder:

Q. The great delay, as I understand it, takes place because of the fact that when you get your first report you have not got all the information that is necessary?—A. No, sir.

Q. It has to go back?—A. Yes, sir.

Q. And back and back?—A. Yes.

Q. In order that you may have the data on which you can make your decision?—A. Yes, sir.

Q. It strikes me, from all the evidence up to this point, that that is the main cause. Mr. Fairweather, as I understand him, had not any ground of complaint as to the time that it had taken, seeing that there was so much complication and detail that must be dealt with. But I should think that once you have your data upon which you can make your decision, it would not take very long after that?—A. That is usually the case. When we have the facts before us we have no difficulty in reaching a conclusion.

Q. So it is really a study of the situation, of all the details of the situation, that takes the time?—A. Yes.

By Hon. Mr. Casgrain:

Q. Has the Railway Board held you up very much?—A. No, sir, not so far. The two applications that were made to the Board were approved in good time.

Hon. Mr. HAIG: Mr. Chairman, I move that we adjourn.

The CHAIRMAN (Hon. Mr. Beaubien): The two leaders inform us that we have a good chance of being able to sit this afternoon, and they recommend that we resume our sitting after the House rises.

The committee adjourned to meet again after the Senate rises this afternoon.

AFTERNOON SESSION

The committee resumed at 5.40 p.m.

J. E. ARMSTRONG (Examination resumed):

The CHAIRMAN (Hon. Mr. Beaubien): Order, gentlemen. We will proceed far as we can with the deposition of Mr. Armstrong.

By Mr. Biggar:

Q. Mr. Armstrong, you had a copy of the memorandum which you sent to the joint executive committee on May 15, 1936.—A. Yes, sir.

Q. I suppose we had better mark that as Exhibit No. 47.

(Memorandum to the joint executive committee from the joint co-operative committee requesting clarification of certain instructions *re* preparation of agreements, filed and marked Exhibit No. 47.)

Mr. BIGGAR: Perhaps I had better read this Exhibit. It is very short.

(Counsel reads Exhibit No. 47.)

I have looked up the minutes of the joint executive committee subsequent May 15, 1936. I find there were only four meetings, and nothing appears to have been dealt with in them.

Had this Exhibit better not be printed?

Some Hon. SENATORS: Yes.

By Mr. Biggar:

Q. Mr. Armstrong, there is nothing more to add to that memorandum?—No, there is nothing more to add to that memorandum. But did I complete the information on the question that Senator Calder was asking me just at the close of the morning session, as to where the major portion of the work occurred in preparing the joint co-operative committee work?

By Hon. Mr. Calder:

Q. I think we finished that unless you have anything to add.—A. I have nothing to add, Senator, except this. There are two jobs making the report, and then when that is approved on initial information—

Q. You made the statement that in so far as delays were concerned by far the greater part was due to the gathering of the necessary data and the referring back of the problem again to the committee to supplement what they had first said.—A. I was afraid I had conveyed that idea. If so, I was slightly in error. It depends somewhat on the proposition. There have been matters we have dealt with in the joint co-operative committee which have taken longer to prepare than any joint local committee study has yet taken. It varies in different cases.

Q. Yes.

By Mr. Biggar:

Q. The next subject, Mr. Armstrong, then is the question of train pooling, Report No. 58. Can you tell us about that? You have heard what Mr. Fairweather had to say, and you will confine what you have to say to comments in so far as they are material, will you not?—A. Yes, sir. It is my recollection that Mr. Fairweather stated that at a meeting between Mr. Hungerford and Mr. Hall on January 5, 1934, when a discussion took place particularly in

connection with the pooling of passenger services between Montreal-Toronto and Montreal-Quebec, that the Canadian National left that meeting with the understanding that immediately after conclusion of that pooling the pooling west of Toronto would be carried on forthwith.

Hon. Mr. DANDURAND: I think the word "understanding" is not exactly the one he used. My recollection is he said, "We left with the impression that and so on. What he said did not carry into my mind that there had been an understanding. An understanding is quite different from an impression.

The WITNESS: I am very willing to accept the change. I am not sure of the wording. I have the minutes prepared of that meeting. They were prepared immediately after the meeting, I think, by Mr. Fairweather and Mr. Hodgson who were then the chairmen of the respective sections of the joint co-operative committee. They sat with Mr. Hall and Mr. Hungerford during this meeting. If I may, I should like to read those minutes, because they deal with the general proposition of pooling helpfully. They are headed:

Memorandum of Conference at Windsor Street Station on January 5, 1934, between Mr. S. J. Hungerford and Mr. Grant Hall bearing on the Montreal Terminal Situation and the Possibility of Further Passenger Train Pooling.

After canvassing the terminal situation as set forth in the Joint Co-operative Committee's report No. 10, Mr. Hungerford and Mr. Hall were unable to reach a basis of agreement with regard to the terminal situation.

Mr. Hall thought that for maximum convenience to the public and for the purpose of stimulating to the greatest degree passenger travel, a near an approximation to a union terminal in Montreal as could possibly be achieved without undue expenditure was desirable. He held to the view that the Canadian Pacific proposal as set forth in report No. 10, being a step to the ultimate goal of a union terminal was both feasible and desirable.

Mr. Hungerford held that the traffic advantages of a union terminal were perhaps over-emphasized and that when viewed in the light of what it would cost to bring it about the result was not worth while. He held that capital expenditure in a substantial amount would be unavoidable and that substantial economies would have to be foregone in connection with pooled passenger train services. His view was that the facilities of the two companies could be used without capital expenditure and without any but slight inconvenience to the travelling public.

It was jointly agreed, however, that pending further consideration of the Montreal terminal situation, and with a view to securing some immediate economy, it would be feasible to pool the competitive Montreal-Quebec services and the competitive Montreal-Toronto services of the two companies on the following basis: The pooled Montreal-Quebec trains to be operated by the Canadian Pacific—

By Hon. Mr. Parent:

Q. To what point?—A. The next words are, "between Montreal and Quebec."

Q. At Three Rivers the same conditions do not exist?—A. Nevertheless the pool trains operate through Three Rivers.

Q. For passenger traffic?—A. Yes, sir.

Q. My information is different.—A. I think you will find them marked "pool trains" in the folder.

Q. I don't want to be unfair to you— —A. Whatever the facts may be these are the minutes of that meeting held on that day.

[Mr. John E. Armstrong.]

The pooled Montreal-Quebec trains to be operated by the Canadian Pacific between Montreal and Quebec and to use the Canadian Pacific Montreal stations, the Canadian National to cancel its competitive Montreal-Quebec trains with the understanding that if the Canadian National finds it necessary to operate afternoon non-pooled Montreal-Quebec trains for intermediate traffic, in the same manner as it is proposed the Canadian Pacific shall operate morning non-pooled Montreal-Quebec trains for intermediate traffic, arrangements may be made accordingly. In the Montreal-Toronto service the night trains of each company to run as heretofore but to be included in the pooling arrangement with the exception of Canadian National mail and express trains numbers 18 and 19 which will continue to be operated as non-pooled trains; the fast afternoon trains, now pooled, to operate to and from Windsor street station; the Canadian National morning trains Montreal-Toronto to operate as pool trains to and from Bonaventure station, the Canadian Pacific morning trains Montreal-Toronto to be cancelled. Concurrently, such detailed changes in connecting train service as may be necessary to be made as may be determined.

It was further agreed that in order to make the pool arrangement effective as soon as possible the pooled earnings would be divided in agreed arbitrary proportions with the understanding that any necessary adjustment would be made in the division of the pooled earnings and the service to be performed by each company following a detailed study to determine the fair and equitable arrangements which should be adopted.

That concludes the minutes of that meeting.

On January 6, the day after the meeting, Mr. Hungerford wrote to Mr. Hall. This is a letter dated at Montreal, Quebec, January 6, 1934, and is addressed to Grant Hall, Esq., Vice-President, Canadian Pacific Railway Company, Montreal, Quebec. It says:—

I have before me the minutes prepared by Messrs. Hodge and Fairweather of our conference held yesterday to consider the extension of the passenger train pool and I think they accurately reflect the decision arrived at. May I here answer the statement that that is an extension of the pool, because this was subsequent to the putting into effect of report No. 4, which was the initial limited pool. Report No. 4 included certain Ottawa-Toronto trains—

By Hon. Mr. Parent:

Q. I do not want to interfere with you at all, but you mentioned that there were minutes that had been submitted after a meeting of a certain committee, and then sent to someone else. Mr. Fairweather has said that generally speaking he did not keep any minutes at all of their meetings. How can you justify the situation?—A. I think Mr. Fairweather said that the Joint Co-operative Committee in keeping its minutes kept minutes only of the points agreed upon.

Q. We present the public here.—A. These minutes were not of a joint committee meeting. They were of a meeting between executive officers of the two companies, at which the respective sections of the Joint Co-operative Committee sat in.

By Hon. Mr. Calder:

Q. There must have been lengthy discussions which are not included in that. Those minutes include only the conclusions, not all the discussions.—A. The Joint Co-operative Committee had had discussions in regard to extending the original pool.

Q. I am referring to the minutes you have just read. Those are minutes of the Executive Committee?—A. No, sir, those are minutes of a meeting held between the Vice-President of the Canadian Pacific and the Acting President of the Canadian National.

Q. That is just a special committee?—A. Just two operating officers getting together to see what could be done. As they were discussing a co-operative project they called in the chairmen of the respective sections.

Q. And that sets forth the conclusions?—A. Yes, sir.

By Hon. Mr. Parent:

Q. Possibly you could explain to the Committee how many minutes you kept with all these committees meeting. So far as I can judge, any amount of these committees met and kept minutes whenever they felt like it.—A. I think this meeting between Mr. Hall and Mr. Hungerford would not have been recorded in minutes at all except for the fact that it was necessary to give the Joint Co-operative Committee instructions as a result of the meeting. The minutes of this meeting in effect, possibly, constituted instructions to the Joint Co-operative Committee in carrying on their work.

By Mr. Biggar:

Q. You were coming, I think, to the material part of Mr. Hungerford's letter.—A. Yes, sir. Mr. Hungerford then went on:

This company is prepared to put the arrangement into effect at the earliest date that detail arrangements can be made and I have suggested to Mr. Fairweather that the Joint Co-operative Committee convene at once for the purpose of developing a suitable agreement and also to prepare an application to the Board of Railway Commissioners for sanction of the service.

By Hon. Mr. Dandurand:

Q. Will you look at the first paragraph of the letter again? It seems, as I understood it when you read it, that Mr. Hungerford is speaking of a meeting at which he was not present.—A. The first part of the letter says:

Dear Mr. Hall: I have before me the minutes prepared by Messrs. Hodge and Fairweather of our conference held yesterday . . .

Q. It says "our conference"?—A. Yes, sir.

By Mr. Biggar:

Q. Yes?—A. Mr. Hall replied to that on January 8, 1934, as follows:

Dear Mr. Hungerford: Referring to your letter of January 6th regarding the extension of passenger train pooling arrangements.

I understand that the Passenger Train Service Sub-committee of the Joint Co-operative Committee will confer promptly with a view to preparing a report covering the proposed pooling of Montreal-Quebec and additional Montreal-Toronto services for submission to the Joint Executive Committee for approval. I believe this action is necessary in order to make available for our respective Operating, Traffic, Law and Accounting Officers an approved report for them to follow in completing their arrangements for putting the proposed changes in service into effect.

May I interrupt there for just a moment, to say that those were the instructions under which the extension of pooling under Report 28 were carried out.

By Hon. Mr. Parent:

Q. What date is that?—A. This letter is January 8, 1934.

Q. More than four years ago?—A. The pooling was put into effect shortly afterwards.

[Mr. John E. Armstrong.]

Mr. BIGGAR: I find that here, that it was shortly afterwards. It was put into effect on March 11, 1934.

The WITNESS: It took about two months to complete that arrangement from the time we had the instructions. May I proceed with the letter?

Mr. BIGGAR: Yes.

The WITNESS: (Reading):

When these arrangements are completed it will be necessary to make application to the Board of Railway Commissioners for approval of changes in train service. At the same time the representatives of the classes of employees affected should be notified by our respective General Managers of the intended changes so that if they have any suggestions to offer with reference to

I think the following words are quoted from the Act; they are in quotation marks.

"a fair and reasonable apportionment as between the employees of the Canadian National Railways and Pacific Railways respectively of such employment as may be incident to the operation of such measure, plan or arrangement" such suggestions may receive consideration.

The Canadian Pacific Section of the Passenger Train Service Subcommittee will also be ready to prepare a report covering the proposed pooling of Montreal-Vaudreuil suburban services.

You will recall it was partly the difficulty in determining how satisfactory pooling arrangements could be put into effect west of Toronto unless certain train services were based upon one station in Montreal that led to the submission of Report No. 10 of the Joint Co-operative Committee to the Joint Executive Committee. As you indicate in your letter, this proposal means the elimination of approximately 530,000 train miles, which would be almost entirely in the service of the Canadian Pacific. It will affect existing Canadian Pacific contract relationships with other carriers, its position in this highly industrialized section of Canada and the handling of the extension Chicago-Detroit-Toronto-Montreal overseas traffic for which it is necessary to avoid transfers between stations in the interests of both companies. Can you suggest any means by which pooling west of Toronto could be brought about with an equitable distribution of burden and advantage.

We are anxious, as we have been right along, to take the necessary action to bring about the further substantial saving which can be secured by the extension of passenger pooling arrangements. As the considerations involved in Report No. 10 now appear to be delaying such action, might we not to some advantage pending the decision of the Joint Executive Committee and without prejudice to other matters, have our Operating and Traffic officers make a study to jointly develop definitely to what extent the proposed pool and other services could be accommodated with the existing station facilities at Montreal on the basis suggested by the Canadian Pacific without any immediate substantial capital expenditures?

Hon. Mr. PARENT: An answer must have been sent to that letter. We should have that answer.

Mr. BIGGAR: We have not come to that yet, I think, Senator.

For the sake of easier reference, I would point out to members of the Committee that Report No. 10, which is referred to in that letter, is printed in the proceedings at page 267.

By Hon. Mr. Parent:

Q. If that letter was sent to Mr. Hungerford, an answer must have been received from him. That is an answer we should like to get.—A. I shall be glad to supply a copy of that letter to-morrow. The developments in this case were these: immediately after this letter the Joint Executive Committee had a meeting to decide what they would do in connection with the Montreal-Quebec and the Montreal-Toronto pool arrangements, and as a result of that meeting, which closed this matter, Mr. Hungerford did not reply to this letter until the latter part of February. I can read a copy of that letter to-morrow morning, if you wish.

By Mr. Biggar:

Q. Yes. You can tell us what happened, in the meantime.

Hon. Mr. PARENT: That letter should have been in the hands of the counsel for the Committee by this time, in my view.

By Mr. Biggar:

Q. Yes.—A. My purpose in reading these letters was to point out that right from the start the question was raised of the difficulties of balancing burden and advantage in the so-called west of Toronto pooling.

Q. Yes?

By Hon. Mr. Hugessen:

Q. As a matter of interest, Mr. Armstrong, according to that correspondence the difficulty raised by Mr. Hall about the pooling west of Toronto seemed to hinge upon questions relating to the Montreal terminal. At first glance I cannot see what that consideration can have had to do with it. You might explain perhaps why the pooling of trains west of Toronto was affected by the Montreal terminal situation in reference especially, I think, to the overseas traffic.—A. Yes, sir. That was one of the difficulties that we had. That is developed somewhat more in detail in another memorandum which I should like to read here. It is dated July 11, 1934.

Q. You are coming to that?—A. Yes, I am coming to that. It will go into the matter in greater detail.

By Mr. Biggar:

Q. Yes, Mr. Armstrong.—A. Mr. Fairweather gave evidence to the effect that in the consideration of the preparation of a report on pooling west of Toronto and transcontinental services, a number of times we seemed to be almost on the point of reaching a conclusion so that a favourable report might be made, but it invariably blew up for one reason or another. I would stress the point that it invariably blew up for exactly the same reason, and it was the reason mentioned in this letter of Mr. Hall's, that we could not find a means of equitably apportioning burden and advantage. It was that continually. I think this memorandum will cover that situation more quickly than I can do talking, if I may read it.

Q. What is in the memorandum is more or less in the exhibits A to L accompanying Exhibit No. 40 which Mr. Fairweather put in?—A. I think this memorandum, although I have not done any cross-checking, is the same as the one under Exhibit No. 40.

Q. If you will tell us what it is we can turn it up.—A. It is a memorandum dated July 11, 1934.

Q. If it is in the exhibit we need not put it in again.

[Mr. John E. Armstrong.]

By Hon. Mr. Dandurand:

Q. Who prepared the memorandum?—A. It was prepared by the Canadian Pacific section of the joint co-operative committee. That is, it is a memorandum of our section to our executive.

By Mr. Biggar:

Q. Is not that the memorandum, Mr. Armstrong, from which there are quotations in that long communication enclosed by Mr. Beatty to Mr. Hungerford on the 18th of September, 1933?

The CHAIRMAN (Hon. Mr. Beaubien): No, he said 1934.

By Mr. Biggar:

Q. Well, if it is new, go ahead, Mr. Armstrong.—A. It is a matter that has not been presented before the committee and, in my opinion, is quite essential to the pooling proposition. I should like to have you hear it if you do not mind.

Q. Would you look and see if it is the memorandum printed at page 292 of the proceedings?—A. I think it is. I have not cross-checked it, but looking at it here I think it is.

By Hon. Mr. Murdock:

Q. Mr. Armstrong, the Canadian National section of the co-operative committee had nothing to do with that?—A. I think we may accept that as the same memorandum referred to in the President's letter of July 13, 1934, Senator. I wrote Mr. Fairweather in accordance with the suggestion made by the Canadian Pacific section at a meeting of the joint co-operative committee on the 10th instant. It is prepared and transmitted to its executive under date of the 11th instant. Three copies of this memorandum were enclosed for the information of the Canadian National section. In matters of this kind as in all other matters we were entirely frank with the Canadian National. They knew what our difficulties were as thoroughly as we did.

This is addressed:—

Memorandum for the Chairman and President:

The Joint Co-operative Committee so far has been unable to reach agreement in regard to pooling of west of Toronto and Transcontinental (east of Winnipeg) services, and unless one or other section of this Committee is able to withdraw from the position it has taken, only a disagreement report can be submitted to the Joint Executive. The Canadian Pacific Section, therefore, is submitting this memorandum with a view to securing such instructions as its Executive may wish to give in regard to the matter.

A short history of co-operative pooling of passenger trains may be of assistance.

Due to the existence of Union Stations at both Ottawa and Toronto the pooling of Ottawa-Toronto night passenger trains had been under consideration for many months prior to the formal undertaking of co-operation between the railways in December, 1932, and one of the earliest objects of the Joint Co-operative Committee was to bring this about. The night mail service required that this pooled train service be operated over Canadian Pacific tracks via Peterborough. In order to secure an equitable distribution of burden and advantage the Canadian Pacific Section agreed that there should be an off-setting pool to be handled by the Canadian National. Under Joint Co-operative Committee Report No. 4, of March 7, 1933, pooling of the through Ottawa-Toronto trains under Canadian Pacific operation and of the fast afternoon Montreal-Toronto trains under Canadian National operation was made effective April 2, 1933.

Although this report provided that the fast afternoon pooled trains should use Windsor Street station in both directions, it became necessary for the Canadian Pacific, in order to get the recommended pooling into effect, to agree that the westbound train would depart from Windsor Street station and that the eastbound train would arrive at Bonaventure station.

Report No. 4 was submitted in anticipation of the pooling of the balance of the Montreal-Toronto services as soon as means could be found to secure an equitable balance for such pooling. The Canadian Pacific Section considered that this could be found in the Montreal-Quebec services, and on March 22, 1933, forwarded to the Canadian National Section a draft proposal covering these areas.

By Hon. Mr. Parent:

Q. What do you mean by the "Canadian National Section" so far as the Montreal-Quebec services are concerned?—A. That is the Canadian National section of the joint co-operative committee.

Q. Yes. But that does not explain anything at all. Those are the words you take for your own use. Between Quebec and Montreal there is surely one line that does exist. It is easy enough for anybody to understand that. Why do you use such an expression to explain something that we do not understand?

Hon. Mr. DANDURAND: I think, Senator Parent, if you will allow Mr. Armstrong to read this document you will realize exactly what it is.

Hon. Mr. PARENT: That is what I am getting at. If I do not interrupt I shall not get it cleared up.

The WITNESS: Is it the word "section" that you do not understand, senator?

Hon. Mr. PARENT: If I understood you rightly—

Hon. Mr. HAIG: I do not think we will finish to-night.

By Hon. Mr. Parent:

Q. If I understood you, between Montreal and Quebec there is a special section that belongs to the Canadian National.—A. No, in using the term "section" I am referring to the two sections of the Joint Co-operative Committee.

By Hon. Mr. Dandurand:

Q. You may proceed with this document, which is a somewhat lengthy one.

Right Hon. Mr. MEIGHEN: It is already printed in our records.

Hon. Mr. DANDURAND: Then, is it useful that it should be read?

Right Hon. Mr. MEIGHEN: It would be useful, yes.

The WITNESS: I should like to get it before you and comment on some sections of it, senator.

By Mr. Biggar:

Q. "The Canadian Pacific section considered that this could be found in the Montreal-Quebec services, and on March 22, 1933, forwarded to the Canadian National section draft proposal covering these areas."—A. (Reading):

The Canadian National management, although stating that the proposal was generally fair and acceptable from a railway point of view, decided that they could not adopt it at that time.

A general survey of possible pooling in Eastern Canada was then made by the Joint Co-operative Committee. In addition to the pooling arrangements now in effect this included Montreal-Boston, West of Toronto and Transcontinental services, and led to the conclusion that

[Mr. John E. Armstrong.]

such pooling was dependent upon the method of using the passenger stations of the two companies in Montreal. As even the limited pool would not have been possible without the Union Stations at Ottawa and Toronto,—

I may interject here that the limited pool is the pooling under report No. 4 of the Joint Co-operative Committee.

As even the limited pool would not have been possible without the Union Stations at Ottawa and Toronto, and as a Union Station existed at Quebec, the Canadian Pacific section considered that all pooled trains and all principal connecting trains at Montreal should be based upon Windsor Street station, thus making use of the better of the two major stations, giving passengers access to Westmount and Montreal West, and bringing practically all interchange at Montreal into the one single station capable of handling the traffic without substantial capital expenditures. This would insure maximum economy to the railways and maximum service and convenience to the public. The Canadian National claimed that they could not enter into any arrangement which did not make substantially equal use of both Bonaventure and Windsor Street Stations. As a result, Joint Co-operative Committee report No. 10, of August 11, 1933, reciting this disagreement, was submitted. This report has not yet been disposed of by the Joint Executive.

The Joint Executive on January 9, 1934, agreed to instruct the Joint Co-operative Committee, pending further consideration of the Montreal terminal situation, to submit a report covering an extension of the original pool to include Montreal-Quebec and the balance of the Montreal-Toronto and Ottawa-Toronto trains, with the Montreal-Quebec trains (except Canadian National Maritime services) and the fast afternoon and the Canadian Pacific night Montreal-Toronto trains based upon Windsor Street Station, and with the day and the Canadian National night Montreal-Toronto trains based upon Bonaventure Station. Joint Co-operative report No. 28, of January 31, 1934, which was made effective March 11, 1934, was submitted accordingly. This use of the Montreal stations has resulted in disadvantage to the public due to substantial increase of interchange between the pooled Toronto and non-pooled Canadian National trains using Bonaventure Station and the pooled Quebec and non-pooled Canadian Pacific trains using Windsor Street Station, all of which would have been avoided had the Canadian Pacific view in regard to the use of Windsor Street Station as a joint station been made effective.

The Joint Executive on January 9, 1934, also agreed to instruct the Joint Co-operative Committee to submit a report covering the pooling of the Montreal-Vaudreuil suburban services, the trains to operate from and to Windsor Street Station. After exchanges of draft reports, the latest of which was sent to the Canadian National section by the Canadian Pacific section under date of February 2, 1934, no action resulted until two months later, when the Canadian Pacific Executive was advised by the Canadian National Executive that this service should not be pooled at that time.

Although the Canadian Pacific section of the Joint Co-operative Committee considered that no further pooling in Eastern Canada, other than the Montreal-Vaudreuil suburban services, should be undertaken prior to agreement upon the use of a single station in Montreal, the Joint Co-operative Committee was instructed to study pooling of West of Toronto and Transcontinental services. For the Canadian National a West of Toronto pool would have many advantages and apparently few

disadvantages. It would give them control of the Chicago business of the Canadian railways and would not remove a single train mile from Canadian National tracks. For the Canadian Pacific, however, it would have no advantage other than economy in passenger train miles, and would have the disadvantage of practically destroying Canadian Pacific identity in this territory by cancelling approximately 400,000 Canadian Pacific passenger train miles, and transferring over 40,000 Canadian Pacific passenger train miles to Canadian National tracks. These cancellations and transfers would eliminate Canadian Pacific passenger trains London-Windsor, and substantially reduce Canadian Pacific train service Toronto-London. In addition to these disadvantages some of the difficulties facing the Canadian Pacific were:—

- (a) The elimination of Canadian Pacific passenger train service on its own tracks with its own trains in one of the most important traffic territories in Canada, severing its long established direct connections through the Detroit Gateway to the important traffic centres in the Central, Southern and Western States;
- (b) The elimination of recognized Canadian Pacific stations at London, Chatham, Windsor, Detroit and Chicago, and the transferring of all Canadian Pacific passenger train traffic to the corresponding Canadian National stations;
- (c) The effect of such eliminations and severances upon Canadian Pacific freight traffic interests in the intermediate territory served through the Detroit Gateway;
- (d) The necessity of revision of the Canadian National-Pullman contract to permit of pooling Canadian Pacific and Pullman sleeping car traffic and revenue Montreal-Detroit-Sarnia and the operation of Canadian Pacific sleeping cars in the through service to and from Chicago.
- (e) The necessity of severing contractual relations with the Michigan Central for passenger service between Montreal-Toronto-Detroit-Chicago which, in the absence of mutual arrangement to the contrary, would require six months' notice.
- (f) The effect of the cancellation of the passenger traffic contract upon freight interchange with the Michigan Central;
- (g) The effect upon the important Canadian Pacific Steamship interests, which must seek development from traffic to and from points in Western Ontario and in the Central, Southern and Western states, if the passenger's direct contact with the steamships through the distinctive Canadian Pacific service were broken by the use of Canadian National trains and stations.

As it appeared to be impossible to find an equitable distribution of burden and advantage in pooling west of Toronto only, but as it was thought that this might be found by inclusion of the Transcontinental services, these areas were coupled in the studies by the Joint Co-operative Committee.

For more than six months past every effort has been made to complete a report on the pooling of west of Toronto and Transcontinental services; but so far little conclusive progress has been made, and none of the difficulties outlined above in connection with the west of Toronto pooling has been overcome.

As a result of study by the Joint Co-operative Committee and its various subcommittees, the following points of difference emerge.

[Mr. John E. Armstrong.]

By Hon. Mr. Moraud:

Q. Excuse me, Mr. Armstrong, but before you leave that, I want to ask you a question. I was at the time a director of the Canadian National and I understood that the Canadian National was getting out of Quebec entirely in consideration that later you would carry on with pooling west of Toronto. According to that agreement, the Canadian National got out of Quebec entirely. There is no longer any passenger train service of the Canadian National between Quebec and Montreal?—A. I think that is not quite correct. There is a Canadian National connection with the maritime trains.

Q. Yes. But there is no longer any Canadian National passenger service between Quebec and Montreal? There is a small gasoline train from Quebec to Chaudiere, which carries almost no passengers, because nobody takes it. It was understood at the time that the Canadian National withdrew in consideration of this pooling being carried on west of Toronto?—A. We sought seriously to find a method of balancing burden and advantage in the general territory.

Q. There is no doubt that in the first pooling agreement the Canadian National gave much more than it received, because it went out of Quebec entirely. And, as you say in your memorandum, the freight traffic goes where the passenger traffic goes. The Canadian National, in giving up all its passenger traffic in Quebec was supposed at the time to get other consideration?—A. I think that is a fair statement of the Canadian National position, yes, sir.

By Hon. Mr. Hugessen:

Q. Is it the fact, Mr. Armstrong?—A. The Canadian Pacific side of that same shield—

HON. MR. PARENT: The Canadian National ignored Quebec city entirely and called it "Diamond." What Senator Moraud is saying now is very important.

THE WITNESS: The Canadian Pacific side of that same shield is this. In exchange for the Canadian National getting out of Quebec with everything but their connections to the Maritime trains and their ferry connections to Lewis, the Canadian Pacific took all its passenger trains excepting night sleeper trains off of the territory from Glen Tay to Agincourt. Glen Tay is a short distance west of Smith's Falls, and Agincourt is a short distance east of Leaside. The Canadian Pacific has no passenger trains whatever through Belleville, Trenton, Oshawa, Port Hope, Bowmanville and all those stations, except sleeper trains that pass through there pretty early in the morning or very late at night.

HON. MR. HAIG: Mr. Chairman, I think we ought to adjourn. We have not actually got a quorum, in any event.

HON. MR. DANDURAND: Could we not finish with this document that Mr. Armstrong is dealing with?

THE WITNESS: I have three pages more.

By the Chairman (Hon. Mr. Beaubien):

Q. You will probably want to make some comments as you read along?—A. I can make them now, or to-morrow morning. But this is a good place to make a break. What follows takes up the Canadian Pacific difficulties in securing a balance in burden and advantage.

HON. MR. HAIG: I think we shall want to ask Mr. Armstrong a pretty serious question. Mr. Fairweather left on my mind the impression that the Canadian National had been led into a pooling arrangement between Quebec and Montreal and Montreal and Toronto with the idea in the back of their heads that west of Toronto would be pooled. That has not been done and

they feel that they have been trapped. He did not use that word, but I am using it. I want a full explanation from Mr. Armstrong as to the fact. I do not think we could finish this in half an hour.

Hon. Mr. DANDURAND: I thought that we could sit this evening, but there are objections to it so I will simply suggest that we adjourn now.

NOTE.—There have been attached to this day's proceedings Exhibits 49 and 50, being documents filed by the Canadian Pacific Railways with the Royal Commission on Transportation at the request of the Commission. The documents are:—

No. 47.—Memo to the Joint Executive Committee from the Joint Operative Committee, requesting clarification of certain instructions *re* preparation of agreements.

No. 48.—Exhibit F filed by C. P. Ry. before Royal Commission on Transportation *re* Economies possible by co-operation of C.N. and C.P. Ry. in establishing joint trackage, stations and terminals.

No. 49.—Exhibit G filed by C.P. Ry. before Royal Commission on Transportation *re* study of economies possible by unification of C.N. and C.P. systems under private management.

No. 50.—Details of track abandonment as summarized in Exhibit A Senate Exhibit 49 (C.P.R. study of economies possible by unification).

The Committee adjourned until to-morrow at 10.30 a.m.

EXHIBIT NO. 47

CANADIAN NATIONAL RAILWAY COMPANY-CANADIAN PACIFIC RAILWAY COMPANY
JOINT CO-OPERATIVE COMMITTEE

MONTREAL, May 15, 1936.

Memorandum to the Joint Executive Committee:

The Joint Co-operative Committee respectfully requests such further instructions from the Joint Executive Committee as will clarify its present instructions relative to the simplification and preparation of agreements under approved line abandonment reports.

The Joint Executive Committee at its meeting on October 8, 1935, passed a resolution, the second paragraph of which reads:—

It shall be the duty of the Joint Co-operative Committee to immediately take in hand all reports of that Committee which have been approved by the Joint Executive Committee and which have not already been implemented by agreements, with a view to completing such agreements as promptly as possible. The Committee shall also be responsible for the preparation of agreements with regard to such other projects, based on reports of the Joint Co-operative Committee, as may be approved by the Joint Executive Committee.

The fourth paragraph of this Resolution reads:—

The Joint Co-operative Committee shall, notwithstanding the recommendations contained in Reports No. 23 and No. 32, constantly keep in mind the desire of the Joint Executive that agreements be as simple and direct as possible to the end that their application shall involve the least possible additional book-keeping and intercorporate-accounting, the object to avoid complication and expense.

Subsequently, the Canadian National Section of the Joint Co-operative Committee received from the Canadian National Executive specific instructions to the effect that in undertaking the simplification and preparation of line abandonment agreements individual approved line abandonments under the provisions of Report No. 23 or Report No. 32, as the case may be, shall be so selected groups or sets as to substantially balance, as between the two companies, the opportunities lost or gained of obtaining traffic, the ascertainable economies and disturbance of labour, so that, taken as a whole, there shall be as nearly as may be a balance of burden and advantage, as between the two companies, each group or set of simplified agreements prepared.

As the Canadian Pacific Section of the Joint Co-operative Committee has received corresponding instructions from its Executive, two questions arise as to the procedure in the preparation of further line abandonment agreements:—

- (1) Is a substantial balance, as between the two companies, of groups or sets of approved line abandonment reports under Report No. 23 or Report No. 32, as the case may be, a condition precedent to the preparation of corresponding groups or sets of line abandonment agreements by the Joint Co-operative Committee?

- (2) Is a substantial balance, as between the two companies, of groups or sets of approved line abandonment reports under Report No. 23 or Report No. 32, as the case may be, a condition precedent to the study of simplification of agreements, and in such simplification of agreements a condition precedent to the preparation of line abandonment agreements?

The Joint Co-operative Committee respectfully requests such further instructions from the Joint Executive Committee as will settle these questions.

(Sgd.) JOHN E. ARMSTRONG, *Chairman,*
Canadian Pacific Section

(Sgd.) S. W. FAIRWEATHER, *Chairman,*
Canadian National Section

EXHIBIT NO. 48

ECONOMIES POSSIBLE BY CO-OPERATION OF CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS IN ESTABLISHING JOINT TRACKAGE, STATIONS AND TERMINALS

(Exhibit F filed by C.P. Ry. before Royal Commission on Transportation)

SUMMARY

While the two railways remain separate entities, the field for further co-operation is limited. It is estimated the total saving would be:—

Through joint trackage agreements between places shown in Exhibit "A" (involving abandonment of 1,582 miles of track)	\$ 3,988,870
Through establishing joint stations and terminals at places shown in Exhibit "B"	2,269,337
Through consolidation of Okanagan Services	90,000
Total Saving	<u>\$ 6,348,207</u>

EXHIBIT "A"

JOINT TRACKAGE AGREEMENTS

Between	Line Recommended for Abandonment	Mileage	Estimated Annual Saving	Remarks
Edmundston-Cyr.....	C.P.	27	\$ 25,256	
St. Johns-Farnham.....	C.N.	13	34,019	
Arnprior-Renfrew.....	C.N.	17	15,972	
Bayne-Eganville.....	C.P.	19	18,038	
Federal-Pembroke.....	C.N.	89	143,982	
North Bay-Capreol.....	C.N.	84	173,175	Including North Bay Terminal.
Wrentham-Darlington.....	C.P.	65	111,132	
Oldwater-Lindsay.....	C.N.	56	62,878	
Weston-Linwood.....	C.P.	16	17,106	
Lytle Park-Walkerville Jct.....	C.P.	104	187,644	
Harry Sound-Wanup.....	C.N.	89	138,386	
Winnipeg-Kaministiquia.....	C.N.	405	1,250,000	Overflow Canadian National traffic to be handled on Canadian Pacific double track line.
St. John's Hill-East Selkirk.....	C.N.	16	13,160	
Marfield-Peebles.....	C.P.	71	75,541	
Stevan-Bienfait.....	C.N.	8	13,635	
Regina-Moose Jaw.....	C.N.	39	79,400	Including joint operation Regina and Moose Jaw Terminals.
Saskatoon-Unity.....	C.P.	120	152,900	Including joint operation Saskatoon Terminal.
Carleton Place-Morinville.....	N.A.R.	5	157,200	Allowing for elimination Dunvegan Terminal.
Gravelly-Edmonton.....	C.P.	33	73,000	Including joint operation Edmonton Terminal.
St. Catharines-Nevis.....	C.N.	9	9,600	
St. Catharines-Deer-Rocky Mountain House.....	C.N.	55	30,000	
Kamloops-Petain.....	C.P.	163		
Port Hope to Vancouver.....	C.N.	79		
		242	1,206,846	Including joint operation Kamloops Terminal. Large transportation saving in this case due to operating over lower grade line.
		1,582	3,988,870	

EXHIBIT "B"

JOINT STATION AND TERMINAL AGREEMENTS

Place	Nature of Facilities	Estimated Annual Saving	Remarks
		\$	
St. John, N.B.....	Freight Shed and Office—Yard Switching—Locomotive and Car Maintenance (with certain exceptions).....	55,777	C.P. passenger trains already operate in and out of C.N.R. station.
Fredericton, N.B.....	Passenger Station—Freight Shed and Office.....	11,344	
Lennoxville, Que.....	Passenger and Freight Station.....	12,617	
Drummondville, Que.....	Passenger and Freight Station.....	6,865	
Waterloo, Que.....	Passenger and Freight Station.....	3,072	
Stanbridge, Que.....	Passenger and Freight Station.....	1,675	
St. Rosalie, Que.....	Passenger and Freight Station.....	3,020	
Sherbrooke, Que.....	Freight Shed and Office.....	12,133	
Quebec, Que.....	Freight Shed and Office and Car Department.....	81,363	
Joliette, Que.....	Freight Shed and Office.....	6,325	
Brockville, Ont.....	Freight Shed and Office.....	6,836	
Smiths Falls, Ont.....	Passenger and Freight Station.....	3,960	
Ottawa, Ont.....	Yard Switching—Freight Shed and Office.....	23,000	
Montreal, Que.....	Freight Sheds.....	290,284	Centralization of freight facilities of each railway.
Dorval, Que.....	Passenger and Freight Station.....	3,050	
Strathmore, Que.....	Passenger Station.....	260	
Lakeside, Que.....	Passenger Station.....	210	
Point Claire, Que.....	Passenger Station.....	235	
Beaconsfield, Que.....	Passenger and Freight Station.....	185	
Beaurepaire, Que.....	Passenger Station.....	40	
St. Annes, Que.....	Passenger and Freight Station.....	6,450	
Vaudreuil, Que.....	Passenger and Freight Station.....	3,450	
Belleville, Ont.....	Freight Shed and Office.....	5,629	
Trenton, Ont.....	Freight Shed and Office—Yard Switching.....	38,110	
Tweed, Ont.....	Passenger and Freight Station.....	3,528	
Kingston, Ont.....	Passenger Station—Freight Shed and Office—Yard Switching.....	32,676	
Peterboro, Ont.....	Freight Shed and Office—Yard Switching.....	35,156	
Toronto, Ont.....	Suburban Stations, Yard Switching and Passenger Car Maintenance.....	637,042	
Guelph, Ont.....	Freight Shed and Office.....	14,669	
Goderich, Ont.....	Freight Shed and Office.....	8,655	
Woodstock, Ont.....	Freight Shed and Office.....	11,978	
Galt, Ont.....	Freight Shed and Office.....	11,320	
Milton, Ont.....	Passenger and Freight Station.....	3,850	
Drumbo, Ont.....	Passenger and Freight Station.....	2,042	
Ingersoll, Ont.....	Freight Shed and Office.....	6,827	
St. Marys, Ont.....	Freight Shed and Office.....	6,347	
Sudbury, Ont.....	Passenger Station—Freight Shed and Office—Yard Switching—Locomotive and Car Maintenance.....	45,256	
Tillsonburg, Ont.....	Passenger and Freight Station.....	3,990	
Hanover, Ont.....	Passenger and Freight Station.....	3,677	
Weston, Ont.....	Passenger and Freight Station.....	3,374	
Harriston, Ont.....	Passenger and Freight Station.....	6,135	
Mount Forest, Ont.....	Passenger and Freight Station.....	2,543	
Fergus, Ont.....	Passenger and Freight Station.....	6,107	
Brampton, Ont.....	Passenger and Freight Station.....	4,172	
Owen Sound, Ont.....	Passenger Station—Freight Shed and Office—Yard Switching.....	38,749	
Fort William, Ont.....	All facilities.....	400,000	
Morris, Man.....	Passenger and Freight Station.....	5,586	Abandoned C.P.R. track 400 ft. main line and 4,75 ft. siding.
Portage la Prairie, Man.....	All facilities.....	24,000	

EXHIBIT "B"—*Concluded*JOINT STATION AND TERMINAL AGREEMENTS—*Concluded*

Place	Nature of Facilities	Estimated Annual Saving	Remarks
		\$	
Man., Man.....	Passenger and Freight Station— Yard Switching.....	3,070	Abandoned C.P.R. track: 4,000 ft. main line and 4,800 ft. siding.
Man., Man.....	All facilities.....	186,147	
nce Albert, Sask.....	All facilities.....	7,700	
lfort, Sask.....	All facilities.....	2,000	
rth Battleford, Sask..	All facilities.....	3,500	
setown, Sask.....	All facilities.....	2,200	
mboldt, Sask.....	All facilities.....	2,000	
ydminster, Sask.....	All facilities.....	2,800	
yburn, Sask.....	All facilities.....	8,300	
evan, Sask.....	All facilities.....	5,000	
echill, Alta.....	All facilities.....	5,000	
gary, Alta.....	All facilities.....	120,000	
d Deer, Alta.....	Station staffs.....	2,400	
nrose, Alta.....	All facilities.....	9,000	
ttler, Alta.....	All facilities.....	4,700	
reville, Alta.....	All facilities.....	1,000	
w Westminster, B.C....	All facilities.....	4,000	
udstone, Man.....	All facilities.....	4,106	
sedale, Alta.....	Station staff.....	3,385	
		2,269,337	

EXHIBIT No. 49

ECONOMIES POSSIBLE BY UNIFICATION OF CANADIAN NATIONAL SYSTEM AND CANADIAN PACIFIC SYSTEM UNDER PRIVATE MANAGEMENT
(Exhibit G filed by C.P.Ry. before Royal Commission on Transportation)

SUMMARY

While the time required to complete unification will be five years, large savings will be immediately effected.

All calculations are based on the year 1930, the last year for which complete figures are available. The tables assume that unification was then complete.

Unification Will Include—

Abandoning 5,051 miles of track.....	Exhibit "A"
Saving 7,574,454 passenger train miles.	
Saving 51,793,173 passenger car miles.....	Exhibit "B"
Saving 5,301,323 freight and mixed train miles.	
Saving 67,157,402 freight car miles.....	Exhibit "C"
Consolidating stations, yards and terminals.....	Exhibit "D"
Consolidating locomotives and car shops.....	Exhibit "E"
Consolidating supervisory organizations.....	Exhibit "F"

The Net Gain Will Be—

	\$
1 Increased Railway Operating Revenues—Exhibit "G".....	1,396,000
2 Decreased Railway Operating Expenses—Exhibit "H".....	64,268,000
3 Miscellaneous Income Items.....	211,000
4 B.C. Coast Steamers.....	450,000
5 Telegraphs (Railway and Commercial)—Exhibit "I".....	948,000
6 Express Operations—Exhibit "J".....	1,450,000
7 Colonization, Development and Insurance.....	300,000
8 Interest on released stores and track material.....	1,700,000
9 Interest on reduction in investment in equipment.....	4,650,000
Total Annual Net Gain.....	75,373,000

These economies do not include (except as to equipment) the saving in interest on capital expenditures, which will be less for the unified railway than for the properties operated separately.

EXHIBIT "A"
TRACK ABANDONMENT

	Main	Branch	Total
<i>Steam Railways:</i>			
Canadian Pacific Railway.....	744	961	1,705
Canadian National Railways.....	2,216	1,042	3,258
Northern Alberta Railways.....		50	50
	2,960	2,053	5,013
<i>Electric Railways:</i>			
Canadian Pacific Railway (Lake Erie & Northern Ry).....		38	38
Total All Lines.....	2,960	2,091	5,051

EXHIBIT "B"

ESTIMATED REDUCTION PASSENGER TRAIN AND CAR MILES BASED ON YEAR 1930

	Steam Train Miles	Motr Car Train Miles	Passenger and Motor Car Miles
Canadian Pacific Railway System.....	21,197,190	89,942	157,202,581
Canadian National Railways System.....	25,418,825	1,490,256	189,414,023
Northern Alberta Railways.....	150,713		1,640,861
Total Year 1930.....	46,766,728	1,580,198	348,258,365
<i>Items of Reduction—</i>			
1.—Re-routing and cancellation of passenger trains.....	7,574,454	260,103	49,001,605
2.—Passenger car miles on mixed trains (<i>See</i> Exhibit "C").....			2,791,568
Total Reduction.....	7,574,454	260,103	51,793,173
Revised Total Mileage.....	39,192,274	1,320,095	296,465,192
Percentage Reduction.....	16.2%	16.5%	14.9%

EXHIBIT "C"

ESTIMATED REDUCTION FREIGHT, MIXED AND OTHER TRAIN MILES AND FREIGHT CAR MILES
BASED ON YEAR 1930

	Freight, Mixed and other Train Miles	Freight Car Miles
Canadian Pacific Railway System.....	25,366,468	824,920,32
Canadian National Railways System.....	32,101,275	1,186,853,88
Northern Alberta Railways.....	317,101	8,946,63
Total Year 1930.....	57,784,844	2,020,720,83
<i>Items of Reduction—</i>		
1.—Train Service abandoned lines.....	2,217,148	4,181,21
2.—Consolidation of merchandise traffic.....	652,000	23,195,00
3.—Heavier loading of car load traffic.....	234,000	8,190,00
4.—Re-routing of American cars returning to owning lines and of empty Canadian cars moving to loading points.....	90,000	4,100,00
5.—Re-routing of freight traffic.....	2,108,175	27,491,18
Total Reduction.....	5,301,323	67,157,40
Revised Total Mileage.....	52,483,521	1,953,563,43
Percentage Reduction.....	% 9.2	% 3.3

NOTE: For reduction in Passenger Car Miles on Mixed Trains see Exhibit "B".

POINTS AT WHICH CONSOLIDATION WOULD PERMIT OF MATERIAL REDUCTION IN TRANSPORTATION EXPENSES

STATION, YARD AND TERMINAL SERVICE

Eastern Lines

Saint John, N.B.	Guelph, Ont.
Fredericton, N.B.	Coderich, Ont.
Edmundston, N.B.	Preston-Hespeler-Kitchener, Ont.
Sherbrooke-Lemnoxville, Que.	Galt, Ont.
Farnham, Que.	Woodstock, Ont.
Levis, Que.	St. Mary's, Ont.
Quebec, Que.	London, Ont.
Montreal, Que.	Chatham, Ont.
Prescott, Ont.	Windsor, Ont.
Brookville, Ont.	Ottawa, Ont.
Smiths Falls, Ont.	Renfrew, Ont.
Kingston, Ont.	Pembroke, Ont.
Peterboro, Ont.	North Bay, Ont.
Lindsay, Ont.	Sudbury, Ont.
Toronto, Ont.	Parry Sound, Ont.
Owen Sound, Ont.	

Western Lines

Port Arthur, Ont.	Saskatoon, Sask.
Fort William, Ont.	Prince Albert, Sask.
Winnipeg, Man.	Humboldt, Sask.
Portage la Prairie, Man.	Drumheller-Kneehill, Alta.
Brandon, Man.	Calgary, Alta.
Weyburn, Sask.	Edmonton, Alta.
Regina, Sask.	Kamloops, B.C.
Moose Jaw, Sask.	Vancouver, B.C.
Swift Current, Sask.	Victoria, B.C.

STATION SERVICE (OTHER THAN ABANDONED LINES)

Eastern Lines

Drummondville, Que.	Brampton, Ont.
Actonvale, Que.	Weston, Ont.
Waterloo, Que.	Fergus, Ont.
St. Johns, Que.	Elora, Ont.
Shawinigan Falls, Que.	Tottenham, Ont.
Grand'Mere, Que.	Beeton, Ont.
Joliette, Que.	Aliston, Ont.
St. Jerome, Que.	Mt. Forest, Ont.
Dorval, Que.	Harrison, Ont.
Ste. Anne de Bellevue, Que.	Milton, Ont.
Vaudreuil, Que.	Milverton, Ont.
Lachute, Que.	Ingersoll, Ont.
Grenville, Que.	Orillia, Ont.
Arnprior, Ont.	Tillsonburg, Ont.
Tweed, Ont.	Detroit, Mich.

Western Lines

Morris, Man.	Radville, Sask.
Deloraine, Man.	Stettler, Alta.
Carman, Man.	Virden, Alta.
Red Deer, Alta.	Rosedale, Alta.
Camrose, Alta.	Alix, Alta.
Melfort, Sask.	Vegreville, Alat.
Rosetown, Sask.	Kelowna, B.C.
Lloydminster, Sask.	New Westminster, B.C.
North Battleford, Sask.	

EXHIBIT "E"

POINTS AT WHICH CONSOLIDATION WOULD PERMIT OF MATERIAL REDUCTION IN MAINTENANCE OF EQUIPMENT EXPENSES—MAIN LOCOMOTIVE AND CAR SHOPS	
CANADIAN PACIFIC	
McAdam.....	Locomotive and Car Shop.
Montreal.....	" "
Carleton Place.....	Locomotive Shop.
West Toronto.....	Locomotive and Car Shop.
North Bay.....	" "
Winnipeg.....	" "
Calgary.....	" "
Vancouver.....	" "
Lyndonville.....	" "
CANADIAN NATIONAL	
Moncton.....	Locomotive and Car Shop.
St. Malo.....	" "
Montreal.....	" "
Leaside.....	Car Shop.
London.....	" "
Straford.....	Locomotive Shop.
Fort Rouge.....	Locomotive and Car Shop.
Transcona.....	" "
Edmonton.....	" "
St. Albans.....	" "

EXHIBIT "F"

SUPERVISORY ORGANIZATIONS

	PRESENT										PROPOSED	
	Canadian National System				Canadian Pacific System				Joint Companies			Total Combined Systems Operated Separately
	Canadian National Railways	Grand Trunk Western	Central Vermont	Canadian Pacific Railway	Dominion Atlantic Railway	Que. Cent. Rly.	Esquimalt & Nanaimo Railway	Northern Alberta Railways	Toronto Terminals Railway			
System Headquarters.	1	.....	.....	1	.....	.....	.....	.....	.....	.....	2	1
Regional.....	3	1	.....	2	.....	.....	.....	.....	.....	.....	6	4
District.....	9	1	1	8	1	1	1	1	1	.....	23	13
Division.....	38	3	2	27	1	1	1	1	1	1	75	52

EXHIBIT "G"

ECONOMIES POSSIBLE BY UNIFICATION OF CANADIAN NATIONAL SYSTEM AND CANADIAN PACIFIC SYSTEM—UNDER PRIVATE MANAGEMENT

Railway Operating Revenues—Based on Year 1950

Freight Revenues—

There will be a gain in gross revenues, by securing a longer haul over the combined system on International Interstate and Great Lakes traffic, amounting to.....\$ 2,135,000

There will be a loss in gross revenues in the following items:—

- 1.—Interswitching and local switching.....\$ 100,000
- 2.—Reduction in rates "two line" to "one line" basis.....100,000
- 3.—Reduction in rates due to shorter mileage of consolidated lines as compared with separately operated single lines.....100,000
- 4.—Loss in traffic from abandoned lines, which will move by other transportation agencies.....439,000

Net Gain in Gross Revenues.....\$ 1,396,000

The net change in operating expenses has been computed and is included in Exhibit "H".

Passenger and Other Revenues—

The unification will not affect passenger and other revenues.

SPECIAL COMMITTEE

EXHIBIT "H"

ECONOMIES POSSIBLE BY UNIFICATION OF CANADIAN NATIONAL SYSTEM AND CANADIAN PACIFIC SYSTEM

UNDER PRIVATE MANAGEMENT

Railway Operating Expenses—Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Savings
	\$	\$	\$	\$	\$	\$
Maintenance of Way and Structures.....	27,402,312	47,877,658	976,093	76,256,063	61,367,441	14,888,622
Maintenance of Equipment.....	31,165,039	49,262,313	214,926	80,642,278	66,281,864	14,360,414
Traffic.....	10,275,856	8,665,652	25,735	18,967,243	13,191,726	5,775,517
Transportation—Rail Line.....	70,076,372	111,982,287	1,253,367	183,312,026	159,317,650	23,994,376
—Water Line.....	1,029,035			1,029,035	987,535	41,500
General.....	4,095,353	9,297,323	96,084	13,488,760	9,199,755	4,289,005
All Other.....	2,643,050	1,202,790	370,044	4,215,884	3,297,635	918,249
Total.....	146,687,017	228,288,023	2,936,249	377,911,289	313,643,606	64,267,683

Maintenance of Way and Structures—Based on Year 1930

Superintendence—

The Canadian Pacific expenditure under this heading in 1930 totalled \$1,371,601 for 16,658 miles of track. The expense, after unification, will be \$2,865,423 for 35,946 miles of track. The saving is shown on Page 3.

Line Abandonment—

The abandonment of 5,013 miles of steam railway track shown in Exhibit "A" will result in reductions of maintenance expenditures which have been determined and are reflected in the savings shown on Page 3.

Reduction in Train Mileage—

There will be a saving in maintenance expense on certain lines due to the reduction in train mileage shown in Exhibits "B" and "C". This will be partially offset by the transfer of traffic to other lines. This saving has not been included.

Terminal Yards, Shops and Enginehouses—

While the unification will produce savings in the maintenance of yards and of structures at terminals, through the consolidation of the various facilities, the savings therefore have not been included.

Telegraph and Telephone Lines—

The savings under this heading have been dealt with separately in Exhibit "I".

Purchasing of Materials and Stores—

There will be savings through the standardization of materials, through the purchasing of materials in large quantities and through the reduction in purchasing at stores overhead. The amount has not been estimated and is included.

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES

Maintenance of Way and Structures—Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Saving
	\$	\$	\$	\$	\$	\$
Superintendence.....	1,371,601	3,940,898	45,903	5,358,402	2,865,423	2,492,979
Track Maintenance.....	19,110,762	33,349,905	797,849	53,258,516	43,814,951	9,443,565
Station and Office Buildings.....	1,374,022	1,950,821	27,090	3,351,933	2,964,970	386,963
Shops and Engine Houses.....	736,809	1,529,484	9,027	2,275,320	1,589,963	685,357
Telegraph and Telephone Lines.....	994,754	1,403,356	19,211	2,417,321	2,417,321	(Included in Exhibit "I")
Removing Snow, Ice and Sand.....	1,007,880	1,706,290	12,662	2,726,832	2,252,343	474,489
Other.....	2,806,484	3,996,904	64,351	6,867,739	5,462,470	1,405,269
Total.....	27,402,312	47,877,658	976,093	76,256,063	61,367,441	14,888,662

Maintenance of Equipment—Based on Year 1930

Superintendence:
The Canadian Pacific expenditure under this heading in 1930 totalled \$696,432. The expense, after unification, will be \$1,305,174. The saving is shown on Page 5.

Locomotive Repairs:
The reduction in train mileage, shown in Exhibits "B" and "C", and reduction in yard switching will result in a saving in locomotive repair expense. Concentrating repair work on a production basis at the most efficient shops will result in a reduction in unit repair costs. The saving has been determined, and is shown on Page 5.

Freight Train Cars—Repairs:
The reduction in freight car mileage, shown in Exhibit "C", will result in a reduction in freight car repair expense. Concentrating repair work on a production basis at the most efficient shops will result in a reduction in unit costs. The saving has been determined and is shown on Page 5.

Passenger Train Cars—Repairs:

The reduction in passenger car mileage, shown in Exhibit "B", will result in a reduction in passenger car repair expense. The saving has been determined and is shown on Page 5.

Work Equipment—Repairs:—

The abandonment of 5,013 miles of track, and the unification of terminals, will result in a reduction in work equipment in service. The saving has been determined, and is shown on Page 5.

Equipment Retirements:

No reduction has been made in retirement charges. The unified property will require fewer equipment units to be in service than separately operated properties, and there will, in the future, be a saving in this item of expense.

Purchasing of Materials and Stores—

There will be savings through the standardization of materials, through the purchasing of materials in larger quantities and through the reduction in purchasing and stores overhead. The amount has not been estimated or included.

RAILWAY OPERATING EXPENSES

Maintenance of Equipment—Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Saving
	\$	\$	\$	\$	\$	\$
Superintendence.....	696,432	2,009,670	9,826	2,715,928	1,305,174	1,410,754
Locomotive Machinery.....	1,329,718	1,545,860	9,588	2,885,166	2,651,383	233,783
Freight Locomotives—Repairs.....	9,858,559	16,766,541	90,000	26,715,100	18,950,085	7,765,015
Freight Train Cars—Repairs.....	10,188,380	15,468,465	22,910	25,679,755	22,975,859	2,703,896
Passenger Train Cars—Repairs.....	5,000,080	6,335,636	32,583	11,388,299	9,626,225	1,762,074
Work Equipment—Repairs.....	877,505	1,460,456	25,063	2,363,024	1,991,768	371,256
Equipment Retirements.....	2,827,632	2,654,157	20,388	5,502,077	5,502,077	.....
Other.....	386,833	3,001,528	4,568	3,392,929	3,279,293	113,636
Total.....	31,165,039	49,262,313	214,926	80,642,278	66,281,864	14,360,414

Traffic Expenses—Based on Year 1930

Superintendence:
The Canadian Pacific rail expenditure under this heading in 1930 totalled \$1,204,616. The expense, after unification, will be \$2,102,117. The saving is included on Page 7.

Agencies:
The elimination of competition will result in substantial economies throughout the world. At certain points in Canada, agencies will be entirely closed. The saving is included in the figures on Page 7.

Advertising:
The elimination of competition will result in the consolidation of advertising throughout the world and very substantial savings in expense. The saving has been determined and is included on Page 7.

SPECIAL COMMITTEE

RAILWAY OPERATING EXPENSES

Traffic Expenses—Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Savings
	\$	\$	\$	\$	\$	\$
Superintendence—Rail.....	1,204,616	2,214,273	7,140	3,426,029	2,102,117	1,323,912
—Steamship.....	201,409			201,409	201,409	
All Agencies —Rail.....	3,147,501	3,179,330	1,857	6,328,688	3,990,000	2,338,688
—Steamship.....	1,882,461			1,882,461	1,882,461	
Advertising —Rail.....	1,539,066	1,872,517	963	3,412,546	1,870,861	1,541,685
—Steamship.....	1,421,009			1,421,009	1,421,009	
All Other —Rail.....	568,516	1,399,532	15,775	1,983,823	1,412,591	571,232
—Steamship.....	311,278			311,278	311,278	
Total.....	10,275,856	8,665,652	25,735	18,967,243	13,191,726	5,775,517

Transportation—Based on Year 1930

Superintendence—

The Canadian Pacific expenditure under this heading in 1930 totalled \$2,454,481 for 16,658 miles of track. The expense, after unification, will be \$5,305,783 for 35,946 miles of track. The saving is shown on Page 9.

Station Service—

The abandonment of the 5,013 miles of track shown in Exhibit "A", and the unification of stations and terminals, shown in Exhibit "D", will result in substantial economies. The saving is included in the figures on Page 9.

Yard Service—

Yard expenses will be reduced at the points shown in Exhibit "D". The reduction in passenger and freight train and car mileage, together with the unification of terminals, will permit of reduction in all terminal expenses. The larger savings have been included in the figures on Page 9. There are other known economies which will result, but these have not been taken into calculation.

Train Service—

The reduction in passenger and freight train and mileage, detailed in Exhibits "B" and "C", will result in reductions in train service expenditures. There will be saving in fuel consumption, through the use of the more efficient power and in fuel cost due to purchase of large quantities from the most favorable sources. These savings have been determined and are reflected in the accounts on Page 9.

Telegraph and Telephone Lines—

Savings under this heading have been dealt with separately in Exhibit "I".

Express—

Savings under this heading have been dealt with separately in Exhibit "J".

Other—

Sleeping car expense will be reduced, due to unification and reduction in passenger train mileage. There will be a reduction in signal and interlocker expense and in other items. The savings are included in figures on Page 9.

RAILWAY OPERATING EXPENSES

Transportation Rail Line—Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Savings
	\$	\$	\$	\$	\$	\$
Superintendence.....	2,454,481	4,101,523	40,249	6,596,253	5,305,783	1,290,470
Despatching Trains.....	1,235,475	1,508,596	13,841	2,757,912	2,206,330	551,582
Station Service.....	12,767,558	18,473,097	424,321	31,664,976	28,194,026	3,470,950
Yard Service.....	10,728,525	18,588,634	205,893	29,523,052	25,578,586	3,944,466
Train Service.....	38,127,432	51,144,796	497,984	89,770,212	76,554,663	13,215,549
Telegraph and Telephone Operation.....	414,033	4,720,114	15,137	5,149,284	5,149,284	
Express Service.....		6,239,097	7,555	6,246,652	6,246,652	
Other.....	4,348,868	7,206,430	48,387	11,603,685	10,082,326	1,521,359
Total.....	70,076,372	111,982,287	1,253,367	183,312,026	159,317,650	23,994,376

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES

Transportation, Water Line—Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Saving
	\$	\$	\$	\$	\$	\$
ation of Vessels.....	901,237			901,237	859,737	41,500
ration of Terminals.....	69,578			69,578	69,578	
dental.....	58,220			58,220	58,220	
	1,029,035			1,029,035	987,535	41,500

*General Expenses—Based on Year 1930**Expenses of General Officers, Etc.—*

Apart from Insurance and Pensions, expenses after unification, shown on Page 12, have been based upon Canadian Pacific for administration and accounting.

Insurance—

The Canadian Pacific expenditures have been reduced by the cost of insuring buildings and structures on its lines to be included. The insurance expense of the Canadian National, which is included elsewhere in the exhibit, has been similarly left with. There will ultimately be further saving in connection with abandoned buildings and structures in terminals, but these have not been determined and are not included.

Pensions—

No saving has been included under this heading, as the expenditures for some time to come will be based upon the number of employees that have been in the service. The unified railway will require fewer employees than the separately operated railways, and there will, in the future, be a saving in pension allowances.

*All Other Expenses—Based on Year 1930**Dining and Buffet Service—*

There will be a saving on account of a reduction in the dining car miles. The amount has been determined and is included on Page 13.

Restaurant and Other Expenses—

There will be minor savings under these headings. Nothing, however, has been included in the present calculation.

RAILWAY OPERATING EXPENSES

General Expenses—Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Saving
	\$	\$	\$	\$	\$	\$
ries and Expenses of General Officers.....	517,197	1,103,967	29,794	1,650,958	973,519	677,439
ries and Expenses of Clerks and Attendants.....	1,929,353	4,016,992	53,162	5,999,507	3,330,835	2,668,672
eral Office Supps. and Exps.....	170,319	599,781	4,706	774,806	294,038	480,768
v Expenses.....	279,886	563,326	2,920	846,132	483,195	362,937
urance.....	362,829	835	96	363,760	326,624	37,136
sions.....		2,158,117	128	2,158,245	2,158,245	
tionery and Printing.....	155,071	171,351	3,345	329,767	267,714	62,053
er Expenses.....	637,505	524,439	1,838	1,163,782	1,163,782	
eral Jt. Facility—Net Dr.....	17,081	20,509	95	37,685	37,685	
er.....	26,112	138,006		164,118	164,118	
Total.....	4,095,353	9,297,323	96,084	13,488,760	9,199,755	4,289,005

SPECIAL COMMITTEE

RAILWAY OPERATING EXPENSES

All other expenses—based on year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Saving
	\$	\$	\$	\$	\$	\$
Dining and Buffet Car Service.....	2,227,656	2,513,422	25,221	4,766,299	3,848,050	918,249
Restaurants.....	294,039		243,031	537,070	537,070	
Grain Elevators.....	118,284	63,344		181,628	181,628	
Producing Power Sold.....		23,667	176,071	199,738	199,738	
Transportation for Investment—Cr.....		1,432,801	74,279	1,507,080	1,507,080	
Other.....	3,071	35,158		38,229	38,229	
	2,643,050	1,202,790	370,044	4,215,884	3,297,635	918,249

EXHIBIT "I"

ECONOMIES POSSIBLE IN TELEGRAPH SERVICES BY UNIFICATION OF CANADIAN NATIONAL SYSTEM AND CANADIAN PACIFIC SYSTEM UNDER PRIVATE MANAGEMENT

Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Saving
	\$	\$	\$	\$	\$	\$
Commercial Service—						
Maintenance.....	779,873	825,902		1,605,775	1,485,342	120,433
Operation—Salaries and Wages.....	2,536,274	3,091,866		5,628,140	5,168,140	460,000
Commission.....	283,202	229,763		512,965	512,965	
Local Office Rent and Expenses.....	532,420	758,220		1,290,640	1,105,340	185,300
General.....	37,518	50,000		87,518	55,118	32,400
	4,169,287	4,955,751		9,125,038	8,326,905	798,133
Railway Service—						
Maintenance.....	354,431	577,454	19,211	951,096	879,764	71,332
Operation.....	414,033	525,743	15,137	954,913	876,610	78,303
Total.....	768,464	1,103,197	34,348	1,906,009	1,756,374	149,635
GRAND TOTAL.....	4,937,751	6,058,948	34,348	11,031,047	10,083,279	947,768

EXHIBIT "J"

ECONOMIES POSSIBLE IN EXPRESS SERVICES BY UNIFICATION OF CANADIAN NATIONAL SYSTEM AND CANADIAN PACIFIC SYSTEM UNDER PRIVATE MANAGEMENT

Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates Total Combined Railways Operated as a Unit	Net Saving
	\$	\$	\$	\$	\$	\$
Maintenance.....	189,680	337,606		527,286	515,286	12,000
Traffic.....	108,870	99,294	921	209,085	150,085	59,000
Operation.....	4,960,691	5,899,733	42,629	10,903,053	9,603,053	1,300,000
General.....	460,800	240,069	1,116	701,985	622,985	79,000
	5,720,041	6,576,702	44,666	12,341,409	10,891,409	1,450,000

RAILWAY CONDITIONS

Key Num-ber	From	To	Method of Handling Traffic from Abandoned Line	Miles owned or leased by Can-adian Pacific		Miles owned or leased by Can-adian National	
				Main	Branch	Main	Branch
<i>Lines East of Fort William</i>							
1	Middleton Jct.....	Granville Centre.....	Over parallel Canadian Pacific (Dominion Atlantic) line.				22
2	Bay Shore.....	Shore Line Jct.....	St. Stephen traffic will move via Canadian Pacific through McAdam Jct. Small balance to move by highway and water.				
3	Chipman.....	Norton.....	Chipman traffic will move via Canadian National. Norton traffic by Canadian Pacific and small balance by high-way.		82		
4	Westfield Beech.....	Centreville.....	Will move via Canadian Pacific main line to Fredericton Jct. and Canadian Pacific branch line to Woodstock and Florenceville opposite Centreville only four miles away.		45		
5	Chipman.....	Cyr.....	Through traffic will move by Canadian Pacific. Plaster Rock is the main point and it is served by Canadian Pacific branch line.				158
6	Cyr.....	Edmundston.....	Will be handled over parallel Canadian National main line.			146	
7	Edmundston.....	Diamond.....	Eastbound through traffic from East of Montreal will be divided between the Canadian National line through Mont Joli to Moncton and Canadian Pacific (Quebec Central) line through Megantic to St. John.		27		
			Eastbound through traffic from West of Montreal will move via Canadian National and Canadian Pacific main lines to the east.				
8	Scotts Jct.....	Harlaka Jct.....	Local traffic will move by parallel Canadian National line to the Temiscouata Ry.			225	
9	Dombourg.....	St. Marc.....	Will move via parallel Canadian National and Canadian Pacific (Quebec Central) lines.		27		
10	Cap de la Madeleine.....	Grand Piles.....	Will move by Canadian National and Canadian Pacific main lines.			23	
11	Elkhurst.....	Windsor Mills.....	Will be diverted to Canadian National Quebec line at Carneau and Canadian Pacific parallel line.				
			Will be diverted to parallel Canadian Pacific lines. It crosses the Canadian Pacific main line at Eastray. Windsor Mills is on the Canadian National Main line, Montreal to Portland.		27		
12	Farnham.....	Stanbridge.....	Will move by two parallel Canadian National lines.		59		
					14		

EXHIBIT No. 50—Continued

Key Number	From	To	Method of Handling Traffic from Abandoned Line	Miles owned or leased by Canadian Pacific		Miles owned or leased by Canadian National	
				Main	Branch	Main	Branch
13	Farnham	St. Guillaume	Will move by parallel and crossing Canadian National line		47		
14	Farnham	St. Johns	Will move over parallel Canadian Pacific double track main line			13	
15	St. Lin Jct.	St. Lin	Will move over parallel Canadian National and Canadian Pacific lines				
16	St. Therese	St. Eustache	Will move via the Canadian National Ottawa line		15		
17	Papineau	Fresniere	Will move via Canadian Pacific St. Agathe line and Canadian National Ottawa line		6		
18	Soulanges	Cornwall	Will move over the Canadian National double track only five miles away at the farthest point				13
19	Glen Robertson	Vankleek Hill	Will move through Glen Robertson on Canadian National main Ottawa line and Vankleek Hill on Canadian Pacific main Ottawa line		27		
20	Hawkesbury	Ottawa Jct.	Will move over parallel Canadian Pacific line				14
21	Ottawa West	Carleton Place	Will move from Ottawa to Smiths Falls and Arnprior via Canadian National	28		17	57
22	Arnprior	Renfrew	Will move over Canadian Pacific parallel main line				
23	Payne	Eganville	Will move over the Canadian National Renfrew to Parry Sound line		19		
24	Federal	Capreol	Will move over Canadian National main line, Ottawa to Arnprior, and Canadian Pacific main line, Arnprior to Sudbury			304	
25	Lyn Jct.	Fortar	Through Brockville traffic will move via Canadian National double track main line or Canadian Pacific Brockville Branch				31
26	Glen Tay	Whitby	Will move over the Canadian National double track main line. Practically no local traffic between Shannonville and Glen Tay	164			
27	Ronnac	Greenburn	Will move over parallel Canadian National double track main line				42
28	Lindsay	Coldwater	Will move over parallel Canadian Pacific line. Heavy east-bound through traffic to move over Canadian Pacific to Dranoel and Peterboro thence by Canadian National to Belleville and Shannonville via Campbellford				56
29	Palgrave	Collingwood	Will move over Canadian Pacific main line and Canadian National branch, Barrie to Collingwood				52
30	Bolton	Melville	Will move by Canadian National via East Caledon and by highway		19		
31	Harrisburg	Hespeler	Will move over the Lake Erie and Northern and Grand River Electric Lines				19

32	Galt.....	Elmira.....	Will move over adjacent Canadian Pacific and Canadian National lines.....			
34	Linwood.....	Listowel.....	Will move over parallel Canadian National line, Stratford to Listowel.....	16		
35	Saugeen.....	Walkerton.....	Traffic from Durham, Hanover and Walkerton will move over Canadian National lines, via Palmerston, remainder by highway.....	37		
36	Wingham Jet.....	Wingham.....	Will move over Canadian National Kincardine Branch.....	5		
37	Embro.....	St. Marys.....	Through traffic to St. Marys will move over the Canadian National London to Stratford Branch.....	16		
38	Woodstock.....	St. Thomas.....	Through traffic from and to St. Thomas will move over Canadian National main line.....	34		
39	Woodstock.....	Walkerville Jet.....	Will move over parallel Canadian National double track main line.....	135		21
40	Glencoe.....	Kingscourt.....	Will move over Canadian National main lines.....			
41	Beaverton.....	Longlac.....	Will move over Canadian Pacific main line, Toronto to Nipigon. Local Canadian National traffic between Beaverton and Sudbury will move over parallel Canadian Pacific main line.....		609	
42	Key Jet.....	Key Harbour.....	Coal traffic to Key Harbour will be diverted to Britt or Depot Harbor.....			6
43	Nipigon.....	Current River.....	Will move over parallel Canadian National line account better grade.....	63		
			Total Lines East of Fort William.....	390	522	516
					1,337	

EXHIBIT No. 50—*Concluded*

Key Number	From	To	Method of Handling Traffic from Abandoned Line	Miles owned or leased by Canadian Pacific		Miles owned or leased by Canadian National	
				Main	Branch	Main	Branch
	Lines West of Fort William						
44	Conmee.....	Superior Jct.....	Will move over Canadian Pacific main line double track and alternative Canadian National line through Fort Frances.			657	24
45	Nakina.....	Paddington.....	Will move over Canadian Pacific parallel line.				
46	Beech Jct.....	East Selkirk.....	Will move over two parallel lines and by highway.		37		
47	Arborg.....	Teulon.....	Will move over parallel Canadian National line.		40	46	
48	Rugby Jct.....	Morris.....	Will move over a parallel Canadian National line.				
49	Pacific Jct.....	East Tower.....	Will move over two Canadian National and two Canadian Pacific lines in the vicinity.		40		
	Elm Creek.....	Plum Coulee.....	Will move over parallel Canadian National lines.		35		
50	Portage la Prairie.....	Gladstone.....	Will move over parallel Canadian Pacific line.			22	
51	West Tower.....	Deer.....	Will move over Canadian National main line.		55		19
52	McGregor.....	Varcoe.....	Will move over any of four adjacent lines.				25
53	Carberry.....	Carberry Jct.....	Will move over Canadian Pacific main line.				
54	Brandon Jct.....	M. & B. Jct.....	Will move over parallel Canadian National main line.		44		
55	Gauthier.....	Miniota.....	Will move over parallel Canadian National main line.		19	75	
56	Forrest.....	Wheatland.....	Will move over parallel Canadian Pacific line.				
57	Sixth St.....	Maryfield.....	Will move over parallel Canadian Pacific and Canadian National lines.		35		51
58	Boissevain.....	Lauder.....	Will move over parallel Canadian Pacific line.				
59	Holmfield.....	Deloraine.....	Will move over parallel Canadian National line.		24		
60	Binscarth.....	Inglis.....	Will move over adjacent Canadian National and Canadian Pacific lines.				
61	Virden.....	McAuley.....	Will move over parallel Canadian National line.	71	36		8
62	Maryfield.....	Peebles.....	Will move over parallel Canadian National line.				
63	Bienfait.....	Estevan.....	Will move over parallel Canadian National and Canadian Pacific lines.		20		37
64	Southall.....	Neptune.....	Will move over corresponding Canadian Pacific line.				39
65	Talmadge.....	Radville Jct.....	Will move over parallel Canadian Pacific line.				13
66	Warell.....	Moose Jaw Jct.....	Will move over other Canadian National and Canadian Pacific lines.				
67	Young Jct.....	Mileage 13.....	Will move over other Canadian National and Canadian Pacific lines.		16		50
68	Young.....	Colonsay.....	Will move over parallel Canadian Pacific line.				
69	Mawer.....	Main Centre.....	Will move over parallel Canadian National line.	120	33		23
70	Saskatoon.....	Unity.....	Will move over parallel Canadian National line.				22
72	Bruderheim.....	South Edmonton.....	Will move over parallel Canadian Pacific line.				
73	Tofield.....	Barlee Jct.....	Will move over parallel Canadian Pacific line.				
74	Warden.....	Alix.....	Will move over parallel Canadian Pacific line.				

75	Red Deer Jct.	Will move over parallel Canadian Pacific line.			55
76	Grainger	Will move over adjacent Canadian Pacific line.			47
77	Vernon	Traffic to be handled by Lake Service.	5		
78	Armstrong Jct.	Will move over the Canadian Pacific via Sicamous, also by highway.			
79	Kamloops.	Will move over Canadian National main line.	163		56
80	Hope.	Will move over Canadian Pacific double track main line.		79	
81	Lulu Island line.	Work to be abandoned, as it is not required. There are no existing industries.			
82	Log Dump.	Will move over adjacent Canadian Pacific line.			19
83	Lake End.	Will move over adjacent Canadian Pacific line.			7
					31
		Total lines West of Fort William.	354	439	879
		Total lines East and West of Fort William.	744	961	1,042

Key Number	From	To	Method of Handling Traffic from Abandoned Line	Miles owned or leased by Alberta Railways Branch
71	JOINTLY OWNED COMPANIES— Kerensky..... Carbondale.....	Edmonton..... Morinville.....	Will move over parallel Canadian National Line.	45 5
			Total Northern Alberta Railways.	50
33	<i>Electric Railways—</i> Paris.....	Port Dover.....	Will move over Canadian National and Toronto Hamilton and Buffalo parallel and adjacent lines.	Miles owned or leased by Canadian Pacific Railway Branch 38

SUMMARY OF CANADIAN PACIFIC ABANDONMENT PROPOSALS

	Main	Branch	Total
<i>Steam Railways—</i>			
Canadian Pacific Railway	744	961	1,705
Canadian National Railways	2,216	1,042	3,258
Northern Alberta Railways		30	50
	2,960	2,053	5,013
<i>Electric Railways—</i>			
Canadian Pacific Railway (Lake Erie and Northern Railway)		38	38
Total all lines	2,960	2,091	5,051

1938
THE SENATE OF CANADA



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 11

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESS

r. John E. Armstrong, Assistant Chief Engineer, Canadian Pacific Ry. Co.

EXHIBIT

No. 42 (Filed May 11, 1938. Pages 214 and 215) Submission to Royal
Commission on Transportation by Mr. S. W. Fairweather on Consolidation
C.P. and C.N. Rys.

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Bennett, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, May 19, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. George P. Graham, and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): Let us proceed, gentlemen.

Mr. BIGGAR: Senator Parent asked about the continuation of the correspondence between Mr. Hungerford and Mr. Grant Hall; which Mr. Armstrong referred to yesterday, and it is suggested that before resuming his examination should read the remaining letters. I do not think they are of any great importance, but they may be relevant.

Hon. Mr. MORAUD: That is the answer from Mr. Hungerford to Mr. Grant Hall?

Mr. BIGGAR: Yes. The last letter referred to was from Mr. Grant Hall to Mr. Hungerford of January 8, 1934. The answer to it was not made until February 15. It is signed by Mr. Hungerford and is addressed to Mr. Grant Hall. It is as follows:—

Dear Mr. HALL,—

I have not previously replied to your letter of January 8th because the matters contained therein were, generally speaking, dealt with at a meeting on January 9th, at which we were both present.

There was a meeting of the joint executive committee of January 9, 1934. It was decided that:

The suggestions of the Joint Co-operative Committee for the extension of the pooling of passenger trains on the Companies' lines East of Toronto were fully discussed, and, pending further consideration of the Montreal Terminals situation and with a view to securing some immediate economy, and subject to the drafting and submission for approval of an agreement covering details, the following arrangements were unanimously agreed upon.

It then follows a list of five arrangements. The first is the Montreal-Quebec trains of both companies; then the fast afternoon pool trains between Montreal and Toronto, which are described as using at present Windsor Street station westbound and the Bonaventure station eastbound, and that the Windsor Street station should be used in both directions, which, I understand, has not been worked out. The third is the night train of the Canadian Pacific and the late afternoon train of the Canadian National in both directions between Montreal and Toronto. The fourth is that the Canadian Pacific withdraw its morning train between Montreal and Toronto in both directions, the morning train of the Canadian National in both directions between those points to be pooled and operated into and out of Bonaventure station. The fifth deals with the Montreal-Deveuil commuters' service, which was to be pooled, the trains to be run from Deveuil to the Windsor Street station.

Then the letter goes on:—

With regard to that portion of your letter which deals with the pooling arrangement between Quebec-Montreal-Toronto services, the matters have been since dealt with and reported upon by the Joint Co-operative Committee.

With regard to the proposal of pooling west of Toronto, it occurs to me that the Joint Co-operative Committee has not as yet presented a report to the Joint Executive dealing with this matter and it would no doubt be desirable to instruct them to report promptly upon it. The Joint Co-operative Committee has in the past fulfilled a useful purpose by bringing out clearly the extent to which agreement can be reached, and the points which require further handling by the Executive; I think the procedure should be followed in this case.

With regard to the question of Montreal Terminals, I feel that the Joint Co-operative Committee has explored the situation sufficiently to develop the points of agreement and dissent, and no good purpose would be served by again referring the matter to them or to any other committee. I am convinced the Canadian Pacific proposal as contemplated in Report No. 10 would produce neither a true central station nor economy, nor maximum convenience to the public, but would on the contrary lead almost immediately to additional capital expenditures and would add considerably to expenses. Further study of the matter is therefore unwarranted.

In any event, if Report No. 28 of the Co-operative Committee approved by the Joint Executive the pooling situation beyond Toronto no longer turns on the matter of the Montreal Terminals, because the apportionment as between Windsor Street and Bonaventure stations and trains connecting with services west of Toronto will have been determined for the period of the agreement.

That was answered by Mr. Grant Hall on February 16. This letter reads:—

Dear Mr. HUNGERFORD,—

Referring to your letter of the 15th instant regarding passenger traffic pooling arrangements.

You will recall that at our meeting on January 5th, we agreed to recommend to the Joint Executive Committee that the extension of the existing pool east of Toronto be advanced pending further study of the Montreal Terminal situation and that this recommendation was approved by the Joint Executive. Whatever the Joint Executive Committee may decide with reference to Joint Co-operative Committee Report No. 28 made pursuant to the adoption of our recommendation, it is my view that all matters involved in the extension of pooling arrangements to west of Toronto or elsewhere are open to study. In view of our recommendation I do not understand why you have reached the conclusion that study of the Montreal Terminal situation should be excluded from the generality. It is my opinion that a study by Operating and Traffic officers as suggested, would show that existing station facilities could be used to a substantial extent in the manner proposed by the Canadian Pacific for our mutual advantage and with benefit to the public with little capital expenditure and a saving in expense.

I understand that the instructions of the Joint Executive Committee were to conclude first the pooling to Quebec and east of Toronto and the Montreal suburban services, and that you and I have already conveyed to the Joint Co-operative Committee the instructions of the Executive to next study pooling west of Toronto, the transcontinental services and pooling west of Fort William. In my letter of January 8th, I frankly

stated some of the conditions which I thought would face us west of Toronto and asked if you could suggest any way in which the burden and advantage could be equitably distributed.

The next letter is from Mr. Hungerford to Mr. Grant Hall written on the following day, February 17, in which he says:—

Dear Mr. HALL,—

Replying to your letter of February sixteenth with regard to passenger train pooling arrangements:—

In view of the discussion that took place and the decisions reached at the meeting of the Joint Executive Committee held yesterday I really do not see, and presume you will agree, that anything would be gained by continuing correspondence on the points at issue.

Perhaps I ought to say that Mr. Hungerford and Mr. Grant Hall were in attendance at the meeting of the Joint Executive Committee with Messrs. Fullerton, Abelle, Beatty, and Black. The reference to the Joint Executive Committee is follows in the minutes of the meeting of February 16, 1934:—

It was resolved that the Joint Co-operative Committee be instructed to study the problem of pooling passenger train services in Ontario West of Toronto; in transcontinental services and in Western Lines services with a view to determining economy possible in these territories, changes in train services which would be necessary, as well as any other relevant facts, and to explore and develop ways and means of equitably dividing burden and advantage between the two Companies with a view to reaching agreements which would permit of the pool being made effective as soon as possible, and that the Committee be instructed to proceed with their investigations on these subjects before considering other subjects already referred to the Committee by the Joint Executive Committee, provided, however, that this resolution shall not be construed as delaying the immediate effectiveness of the Quebec-Toronto pool already agreed upon.

The final letter of the correspondence is an acknowledgment by Mr. Grant Hall of Mr. Hungerford's letter, this being dated on the 19th of February, 1934, and reading as follows:—

Referring to your letter of the 17th inst., regarding passenger train pooling arrangements.

I agree with you that there is nothing to be gained by continuing our correspondence on the points at issue inasmuch as they are involved in the instructions to the Joint Co-operative Committee, as a result of the meeting on Friday last of the Joint Executive Committee.

Hon. Mr. MORAUD: Is the report of the Joint Co-operative Committee on the Montreal terminals already filed?

Mr. BIGGAR: There is no report on the Montreal terminals.

Hon. Mr. MORAUD: The letters you have just read speak of a report, or study of the Montreal terminal facilities, and that it could be done without any or with very little expenditure.

Mr. BIGGAR: Yes, the study is filed. It is not a report of the Joint Co-operative Committee, but you will find, beginning at page 239 of the proceedings—

Hon. Mr. MORAUD: Could we find if this study has been made the subject of a report?

Mr. BIGGAR: It has not. I say you will find on page 239 of the proceedings, and following pages, a long memorandum with the Canadian National contentions set out, and the Canadian Pacific comment upon them. That

memorandum runs for nearly ten pages, and it was sent by Sir Edward Beatty to Mr. Hungerford on the 18th of September, 1933, in a letter in which Sir Edward Beatty comments on the situation. Then you will also find subsequently in the same series of documents the memorandum which Mr. Armstrong is in process of reading. It is at page 292 of the proceedings. Mr. Armstrong read the first three pages of it last night. That discusses the whole situation from the point of view of the Canadian Pacific technical officers.

Hon. Mr. MORAUD: Of the Montreal terminal?

Mr. BIGGAR: Yes. Shall we go on?

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

J. E. ARMSTRONG was recalled and took the stand.

By Mr. Biggar:

Q. Mr. Armstrong, we left off in the middle of page 294 of the printed proceedings.—A. Yes.

By Hon. Mr. Moraud:

Q. May I ask Mr. Armstrong what was the amount involved in the Montreal terminals, before we proceed any further?—A. The answer to that must be indefinite. It would depend entirely upon what was done in connection with the Montreal terminals, and as no conclusion was reached as to what should be done no final estimates were made with regard to the costs.

By Mr. Biggar:

Q. As I understand the documentary material, the position can be shortly stated. Is this correct? If it was only the pool trains and the principal non-pool trains which were based on Windsor street no capital expense needed to be incurred; but if Bonaventure station was practically abandoned for passenger purposes, then the expenditure of \$6,000,000 would be required in connection with the yards that serve Windsor street station?—A. That is correct, sir.

Q. Now, will you go on from where you left off?

By Hon. Mr. Moraud:

Q. And you suggested that Windsor street station should be used as the Montreal terminal for all pool trains?—A. Yes.

Q. All passenger trains?—A. All pool passenger trains.

Hon. Mr. SHARPE: \$6,000,000?

The CHAIRMAN (Hon. Mr. Beaubien): No, no expense for the pool trains.

Hon. Mr. MORAUD: If they used both stations—

The WITNESS: The agreement which was reached in the Joint Co-operative Committee was that all pool passenger trains and all principal trains of both companies could be served by Windsor street station without any capital expenditure.

By Hon. Mr. Sharpe:

Q. If they used it for all passenger trains \$6,000,000 would have to be spent?—A. Yes, sir.

By Hon. Mr. Moraud:

Q. And if they left it as it is now, some of the passenger trains going to Bonaventure and some to Windsor, there would be no capital expenditure?—A. No, sir.

[Mr. John E. Armstrong.]

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Armstrong, I suppose, for the purpose of basing all trains at Windsor you would have to make a connection between the Canadian National and the Windsor station?—A. That was one of the suggestions.

Q. And that would involve a very large expenditure?—A. Yes, sir.

Q. Whereas if you based only the pool trains, they could come in by your?—A. Yes, sir.

By Hon. Mr. Hugessen:

Q. But the proposal went further than that. Not only the pool trains but principal non-pool trains were to go to Windsor street?—A. Yes, sir.

Q. I travel a good deal on the Ocean Limited and the trains from the East. Would not that involve a considerable extension of the time, say, for the Ocean Limited to come into Montreal?—A. I think not, in this way. It is more or less a 4-hour run between Halifax and Montreal—I am not giving actual time—there is an increase in distance of 20 miles to reach Windsor street.

By Hon. Mr. Murdock:

Q. That is from St. Henri to Dorval and into Windsor street?—A. No, sir. Halifax trains now come from Levis over the Victoria bridge at Montreal into Bonaventure station by St. Henri. One of the suggestions for handling trains was that they cross the Quebec bridge to reach Montreal via the R. line from Quebec.

By Hon. Mr. Hugessen:

Q. That would involve leaving Drummondville and St. Hyacinthe without services?—A. Without any services of the Maritime trains.

By Hon. Mr. Moraud:

Q. It is the only service they have, except for local trains.—A. Local trains would have to be put on.

By Hon. Mr. Hugessen:

Q. There would not be any economy there.—A. It would avoid the transfer.

Q. The same comment would apply to the trains on the Canadian National Island lines. The day train from Portland to Montreal, and the morning train to Island Pond?—A. Those trains, I think, were to remain in Bonaventure. But the matter was never carried through to a conclusion, and I cannot make positive statements as to what was proposed, because we never reached a conclusion.

Q. Surely the Canadian National day train from Portland is a main passenger train?—A. I should say so.

Q. I understood your suggestion was all main passenger trains?—A. The express to Windsor street via Quebec was not the sole suggestion. There were one or four propositions, no one of which was carried to a conclusion.

By Hon. Mr. Moraud:

Q. Were there any other possible propositions? Even that would involve a capital expenditure.—A. That was the proposal which the Canadian Pacific pursued. I cannot speak for the Canadian National.

By Hon. Mr. Horsey:

Q. What saving would there be without capital expenditure, bringing the trains in?—A. The saving would be chiefly in convenience to the public in trains reaching Windsor street, for example, this Maritime train, would have access to the Park avenue station, Montreal West and Westmount, none of which have to-day.

By Hon. Mr. Moraud:

Q. They would not have access to Park avenue?—A. Yes, sir, coming by the Quebec bridge.

Q. Oh, by the Quebec bridge, yes. That is the north shore?—A. Yes.

Q. And there would be no more south shore?—A. Right.

Q. So cities like St. Hyacinthe, and so on, would be served only by local trains.

By Hon. Mr. Robinson:

Q. Under this plan would they be running Windsor street as a joint station?—A. Yes, sir.

By the Chairman (Hon. Mr. Beaubien):

Q. In relation to the matter we are discussing now, the only thing that was taken into consideration was the pooling of trains west of Toronto?—A. Yes, sir.

Q. And therefore the subject we have been discussing—

Hon. Mr. MORAUD: No.

Hon. Mr. HUGESSEN: No.

Hon. Mr. MORAUD: The joint terminal in Montreal was taken into consideration.

The CHAIRMAN (Hon. Mr. Beaubien): I understand that we are discussing the extension of the pool trains west of Toronto.

Hon. Mr. MORAUD: No, the Montreal terminal—

The CHAIRMAN (Hon. Mr. Beaubien): But as related to the pooling of trains west of Toronto.

Hon. Mr. MORAUD: Not as related to the general pooling.

The CHAIRMAN (Hon. Mr. Beaubien): I think that is very clear in the correspondence.

Hon. Mr. HUGESSEN: What I wanted to get at was this. It did not seem to me that the question of the pooling of the station facilities in Montreal had anything to do with the pooling of trains west of Toronto. Yet it seems to me that the Canadian Pacific was constantly harping back—if I may use that expression—to the suggestion to pool all principal trains in Montreal by the use of the Windsor station, as a condition of their pooling trains west of Toronto. I could not understand the reason for that.

The WITNESS: I believe the National have taken the same position as you understanding in their memorandum.

By Mr. Hugessen:

Q. I want to be satisfied.—A. If it is not in the memorandum I will try to explain it more fully.

Mr. BIGGAR: Perhaps, if the committee wants to go into that general situation profoundly, the easiest way would be to run through the contemporary documents that are in print.

Right Hon. Mr. MEIGHEN: It would be shorter to get the witness's statement. It would take less time.

The CHAIRMAN (Hon. Mr. Beaubien): I would like you to put your hand on the point where negotiations stopped, and why they stopped.

Mr. BIGGAR: Mr. Armstrong will deal with that.

The CHAIRMAN (Right Hon. Mr. Graham): It is hard for us to understand the details.

The WITNESS: I shall be very glad to do anything I can.

[Mr. John E. Armstrong.]

By Mr. Biggar:

Q. Will you go ahead, Mr. Armstrong? Shall we go on at page 294? You jumped in the middle of the page, the italicized heading marked "A."—A. Mr. Biggar, before I start reading further from my memorandum, may I explain why I fell between two stools when Senator Dandurand kindly picked me up yesterday?

Q. Yes.—A. The same matters are expressed in two ways in the published proceedings, and in recalling them both I fell between two stools and did not press either. I think Senator Dandurand was right in his statement, but there was another statement that caused me to fall between two stools. In Mr. Fairweather's evidence on page 166, he said in answer to a question:—

We are not talking anything except passenger business. However, Mr. Grant Hall indicated what seemed to Mr. Hungerford a readiness to go beyond Toronto. We had insisted all the time that they must go through to Windsor, Ontario, and Sarnia. We said that in effect the pool should go to Chicago, but the actual train pooling arrangement should go as far as Windsor and Detroit.

By the Chairman (Right Hon. Mr. Graham):

Q. Did you mean Windsor and Sarnia or Windsor and Detroit?—A. I mean Windsor, Detroit and Sarnia. Our line to Chicago goes through Sarnia. The Canadian Pacific line to Chicago connects with the Michigan Central at Detroit. Now, the plan was that they abandon that connection with the Michigan Central and allow their passenger traffic to flow through Sarnia on our line through to Chicago, on the old Grand Trunk line. Mr. Hungerford gained the impression that the Canadian Pacific were willing to go beyond Toronto, that they were willing, in fact, to go to Sarnia and Windsor and that was only because they desired time to study some of the implications of that they were withholding at that time the pooling arrangement. At the bottom of page 183 or the proceedings there is this paragraph from Exhibit No. 40—that is the written statement by the Canadian National section of the Joint Co-operative Committee:—

The attitude of the Canadian Pacific at this meeting,

what was the meeting of January 5, 1934, between Mr. Hungerford and Mr. Grant Hall.

with regard to the terminal problem in Montreal, seemed more conciliatory than in previous discussions. The suggested arrangement was, in fact, the Canadian National suggestion for the division of pooled trains between the terminals as regards pooling in Ontario and Quebec, excluding the Boston services and transcontinental services. The Canadian Pacific concession seemed to remove the question of the terminal problem in Montreal from any further negotiations for an extension of the pooling arrangement west of Toronto, because it disposed of all the trains connecting with Toronto, and inasmuch as the full details of pooled train schedules west of Toronto had been jointly agreed to (See Exhibit "D"), it was hoped

there is the change in the wording.

that the pooling west of Toronto would promptly follow;

take it that this was a Canadian National hope, not a joint hope, necessarily.

in fact, the Canadian Pacific agreed in the Joint Executive Committee meeting that immediate joint study be made of the extension of the pooling arrangement west of Toronto and in the transcontinental field east of Winnipeg.

Then there is a short paragraph that is not particularly pertinent. And the first full paragraph at the top of page 184 reads:—

The studies which had been agreed to were carried on, but the hopes of a speedy extension of the pooling arrangement were not realized. It proved possible to reach complete agreement with regard to the details of pooled services west of Toronto with the exception of the determination of which company should operate the pooled train between London and Windsor, which detail difference was only in connection with the balancing of disturbance to labour.

I would like to call attention to two things in that paragraph. It seems to have been an expression of the Canadian National hope, and the statement in the latter part of the paragraph is one with which I cannot agree.

By Hon. Mr. Moraud:

Q. Mr. Armstrong, I am not so sure that it was a Canadian National hope. I was a director of the Canadian National at the time, and we did not carry on pooling between Quebec and Montreal and Montreal and Toronto while I was there because we were told that this should be carried on at the same time as pooling west of Toronto. And as a matter of fact, this pooling between Quebec and Montreal and Montreal and Toronto was carried on only after we left.—A. I would point out, if I may, that at the time of making this memorandum, which is dated January 8, 1935, the Canadian National had the memorandum which I have been reading, which is dated July 11, 1934, and had that correspondence between Mr. Hungerford and Mr. Hall; and I am quite sure they knew what our position was. Unfortunately the Canadian Pacific did not receive a copy of this memorandum of January 8, 1935. I knew nothing of it until it was submitted here in evidence. Had that question arisen at that time these misunderstandings might have been cleared up.

Q. This pooling of Quebec-Montreal and Montreal-Toronto was discussed in the fall of 1933, because the old board of directors resigned on the 31st of December, 1933, and at that time negotiations were being carried on.—A. In fact, it was studied prior to that, even, because the Canadian Pacific made a statement to the Canadian National in regard to it in March, 1933, immediately after Report 4 had gone into effect.

By Hon. Mr. Murdock:

Q. Mr. Armstrong, if you had read the sentence at the bottom of page 183 and its conclusion on page 184, you would have cleared up that point, think.—A. Shall I read it?

Q. Yes, I think so.—A. It says:

In the light of these circumstances, the Board of Trustees of the Canadian National Railways approved of the extension of the passenger train pooling arrangement to cover the Quebec-Montreal and the balance of the Montreal-Toronto and Ottawa-Toronto services and the Joint Co-operative Committee was instructed to prepare details of the arrangement. This was done in Report No. 28 of the Joint Co-operative Committee (see Exhibit "H"), and the arrangement was made effective March 11, 1934.

Hon. Mr. MORAUD: That is quite all right. But what I say is that all during 1933 negotiations were carried on between both railways for the pooling of trains between Quebec-Montreal and Montreal-Toronto, but nothing was done because the Board of Directors at that time wanted the pooling west of Toronto to be carried on at the same time. And it was only after we left, after the 31st of December, 1933, that the Board of Trustees gave effect to the pooling—in March, 1934.

[Mr. John E. Armstrong.]

By Hon. Mr. Hugessen:

Q. Mr. Armstrong, may I put the proposition to you as it appears to me, trying to be as fair as possible? The Canadian National abandoned the whole of their passenger traffic service, two or three trains a day, between Montreal and Quebec—

Hon. Mr. MORAUD: Five.*

By Hon. Mr. Hugessen:

Q. They abandoned also the whole of their passenger service between Ottawa and Toronto and practically abandoned all passenger service on the trains between Ottawa and Napanee on their line. As against that you abandoned one day train between Montreal and Toronto, and though it is true you abandoned your afternoon express between Montreal and Toronto, though it runs mostly over Canadian National lines, it starts from the Windsor Street station. I put it to you, under these circumstances was it not up to you to do something more? Had not the Canadian National gone a great many steps further than you had? And was it not up to you to agree to do something to make the balance of advantage a little more equitable between the two lines?—May I express the reply in this way? It goes back to Report 28. Under Report 28 the abandonment of Canadian Pacific train mileage is greater than the Canadian National abandonment of train mileage. The Canadian National abandoned certain trains between Montreal and Quebec—

Hon. Mr. MORAUD: All of them.

The WITNESS: Except the Maritimes.

Hon. Mr. MORAUD: The Maritimes is not a Quebec train. It does not go to Quebec; it just passes through Lévis. It is most inconvenient for Quebec people to take it, and they do not take it unless they have to.

The WITNESS: The distance between Montreal and Quebec is something over 170 miles. The distance between Montreal and Toronto is well over 300 miles. The distance from Ottawa to Toronto is somewhat less. Between Montreal and Toronto the Canadian Pacific abandoned their fast afternoon train.

By Hon. Mr. Hugessen:

Q. That is hardly an abandonment, because it starts from the Windsor Street station in Montreal.—A. It is an abandonment in this sense, Senator, that although it starts from the Windsor Street station it leaves the Canadian Pacific trackage at Dorval, immediately west of Montreal. So the entire Canadian Pacific line, from Dorval, a suburb of Montreal, to Toronto, loses the services of that fast train.

By Hon. Mr. Moraud:

Q. But it is a fast train, stopping at only two or three stations between Montreal and Toronto. It does not pick up any local traffic.—A. The Canadian Pacific also abandoned the morning train, in each direction, which runs from Monaventure station to Toronto. The Canadian Pacific dropped that train entirely off its line.

By Hon. Mr. Hugessen:

Q. But that is the only train you really abandoned?—A. I do not follow that statement.

Q. That is the only train that you did abandon, other than the pooled train, the fast afternoon pooled train. And though you did abandon this, you got a corresponding advantage, because that train leaves from and arrives at Windsor Street station?—A. The fast afternoon train stopped, as I recall it—this is subject to confirmation from old time tables—at Bedell, on flag; it stopped at

Smith's Falls, at Perth, at Belleville, at Trenton and at Oshawa—at least at those places. That service was removed from our tracks. Now, that was not a complete jumping from Montreal to Toronto without service. The fast pool train does not touch any of those stations that I have named, at least on C.N. trackage.

By the Chairman (Right Hon. Mr. Graham):

Q. Well, do you not think that instead of that being a sacrifice on the part of the Canadian Pacific, it is a great gain?—A. It was a saving in train mileage. Mr. Chairman, and that was the economy in it. But when you bear in mind that people starting from these stations I have named, say to go to Toronto go to a Canadian National station, and to the Canadian National ticket office and buy a Canadian National ticket, I doubt that the Canadian Pacific gets very much of the haul between Montreal and Toronto.

By Hon. Mr. Moraud:

Q. But 90 per cent of that traffic originates in Windsor street station?—A. We have not any percentage, sir.

By the Chairman (Right Hon. Mr. Graham):

Q. I think the Canadian Pacific won more than it lost.—A. That again on one side of the shield. Sometimes one finds that neither party is satisfied, though each party feels it has been put upon somewhat, though there may be a pretty fair agreement just the same. The Canadian Pacific does not feel satisfied that it is anything ahead in this pooling; it feels that it is hurt by this pooling that is in effect now. And the Canadian National feels the same thing.

Q. In my humble judgment, the Canadian Pacific got the better of the long pool, if anybody got the better. I think the Canadian Pacific did not lose. I would rather be on the Canadian Pacific side of that agreement.—A. The Canadian Pacific fears that pool—and we think it is a justified fear, from one side of the shield—because at the present time under the pool, and since the pool has been in effect, the Canadian Pacific has had no passenger train of its own on its tracks between Glen Tay and Agincourt. It has had no passenger train on its own track excepting between some time after midnight and 6 o'clock the following morning. There is no day passenger service there at all. The only trains the Canadian Pacific are running in that territory on their own tracks are night sleeper trains between Montreal and Toronto. The westbound train by Glen Tay reaches Oshawa at 6.08 in the morning. That is not a day service, it is a night service.

Q. Why go through Oshawa? I suppose I am to blame as much as anybody. I was Minister of Railways and got mentally murdered for giving permission for the line to be built. It went across C.P.R. exclusive territory, Grand Trunk exclusive territory to get traffic along the river St. Lawrence. The people said I made a mistake; maybe I did. I am just pointing out the situation as it has developed. I am not criticizing anybody. The C.P.R. come across from Glen Tay on the northern exclusively C.P.R. track to a point, which is the Grand Trunk original road. The C.P.R. runs across from its north line, that is the line running between Montreal and Toronto.—A. Through Havelock and Peterborough.

Q. Yes. I gave permission to build a line across, I think, to Oshawa.—A. Agincourt is where it comes off at the west end.

Q. It runs parallel to the old Grand Trunk to Toronto.—A. Not quite into Toronto.

Q. It gets away from the river front and comes into North Toronto.—A. At least, it did, but it does not now. The C.P.R. made an agreement with Toronto Terminals, and they come in with the Canadian National into

[Mr. John E. Armstrong.]

onto Terminals. I have been figuring it out historically during the last few years, and I think the accruing benefit is with the C.P.R. anyway. I will not put it any stronger.

Hon. Mr. MORAUD: Besides that, if a person is going direct from Quebec to Toronto, he will not buy a ticket to Montreal and then go to the Bonaventure station and buy a ticket to Toronto.

The WITNESS: I would suggest that in the Quebec station both the C.N.R. and the C.P.R. have separate ticket offices.

Hon. Mr. MORAUD: Yes. But if I buy a ticket to Toronto, I would not have to buy a C.P.R. ticket to Montreal and then change to Bonaventure station and proceed to Toronto on the C.N.R. So you get all the benefit of this pooling.

By Hon. Mr. Robinson:

Q. I am trying to reduce this to dollars and cents, Mr. Armstrong. I would like to know what the saving would be, for instance, in the Montreal Terminals and in the pool trains between Montreal and Toronto and Montreal and Quebec, and between Toronto, say, and Windsor. We are chiefly concerned in savings.—A. That, I think, can be answered readily. Between Montreal and Quebec the Canadian Pacific was handling about 80 per cent of the business. Between Montreal and Toronto unfortunately I cannot state the percentage. The Canadian National was handling the greater part of the business. By pooling we saved 972,000 train miles. Our estimate was based on an arbitrary figure of \$1 per train mile or \$972,000 on the Quebec-Montreal and Montreal-Toronto runs.

Q. \$972,000?—A. On the basis of \$1 per train mile, which was somewhat on an arbitrary basis. That is the annual saving of course. Does that answer your question?

Q. Yes, that part. What would be the saving if you carried out your plan at the Montreal Terminals?—A. I doubt whether there would be any great saving of money. I do not know. To my knowledge it has never been figured out what the saving in money would be. It would be a saving in convenience to the public.

Q. We are chiefly concerned in saving money. What would be the saving in the pooling of trains between Toronto, Windsor and Sarnia?—A. That would depend on how the pool would be carried out. We could never reach an agreement.

Q. You have never had any estimate?—A. There were estimates of train miles and savings. I shall read that from this memorandum as I proceed.

Q. Thank you.

By Hon. Mr. Dandurand:

Q. Since we have interjected a discussion of this question of terminals and on the pooling of trains from Toronto westward, I should like to introduce a point which may interest the committee. You have just read a statement in which you give seven reasons why the Canadian Pacific could not enter into that pooling arrangement west of Toronto.—A. Yes, sir.

Q. They bear on:—

(a) The elimination of Canadian Pacific passenger train services on its own tracks with its own trains,

(b) The elimination of recognized Canadian Pacific stations at London, Chatham, Windsor, Detroit and Chicago,

so on;

(c) The effect of such eliminations and severances upon Canadian Pacific freight traffic interests in the intermediate territory served through the Detroit Gateway,

(d) The necessity of revision of the Canadian National-Pullman contract,
and so on;

(e) The necessity of severing contractual relations with the Michigan Central,
and so on;

(f) The effect of the cancellation of the passenger traffic contracts upon freight interchange with the Michigan Central,

(g) The effect upon the important Canadian Pacific Steamship interests,
and so on.

These seem pretty weighty reasons. I wonder if they did not make the pooling insuperable. All these reasons accumulated strike me as of some importance and perhaps making it impossible for the Canadian Pacific to enter into that pooling arrangement. And yet I find it is not so. I continue the citation:—

As it appeared to be impossible to find an equitable distribution of burden and advantage in pooling west of Toronto only, but as it was thought that this might be found by inclusion of the Transcontinental services, these areas were coupled in the studies by the Joint Co-operative Committee.

Is it not logical then to say that these objections bore on an equitable distribution of burden and advantage, and that they could be adjusted if there was found elsewhere an equitable distribution of burden and advantage?—A. Yes, sir.

Q. That is it?—A. Yes, sir. That has been the Canadian Pacific position right from the time of the meeting of January 5, 1934. If we can find an equitable distribution of burden and advantage we are quite prepared to go ahead with this pooling.

By Hon. Mr. Murdock:

Q. Have we not overlooked the last two paragraphs of the letter written by Sir Edward Beatty to the chairman of the trustees under date of October 9, 1933 to be found at page 185 of our proceedings? They are as follows:—

After careful consideration it has been decided by our Executives that this Company cannot agree at the present time to proceed on a basis heretofore suggested with a pooling West of Toronto which would involve the severance of its present satisfactory arrangements with connections for the handling of traffic to and from Chicago, because of the seriously detrimental effect such pooling would have on the Company's rail and steamship interests.

The difficulties in the way of reaching a mutually satisfactory arrangement in regard to pooling West of Toronto and in Transcontinental (East of Winnipeg) passenger train services appear at present to be insurmountable and, under the circumstances, in my opinion no useful purpose will be served by our considering them further.

Hon. Mr. HAIG: But after they wrote to the joint executives, and the joint executives never answered, they still went on and negotiated and reached some conclusion. So that apparently does not bind them at all. The evidence that Mr. Armstrong was to the effect that negotiations broke down, but they still carried on and reached an agreement.

[Mr. John E. Armstrong.]

Mr. BIGGAR: That is the reason I suggest we should run through the documents, because there is this to be said. When you go through the document as whole of January 16, 1934, it will be seen that Mr. Fullerton at page 297 had told Mr. Beatty they would not consider the Montreal Terminal situation any more. He said, "It is quite impossible for the Canadian National to make any further concessions in the proposed pooled train services." You have to go through the whole thing to get it fairly.

Hon. Mr. CALDER: Looking at that statement quoted by Senator Murdock, is qualified. Sir Edward Beatty said: After careful consideration it has been decided by our executive that this company cannot agree at the present time—call attention to those words, "cannot agree at the present time." He continued—to proceed on any basis heretofore suggested with a view to pooling west of Toronto. So there are two qualifications, that they cannot agree at the present time on any basis that has been suggested. That does not mean they would not find some other basis.

Hon. Mr. MURDOCK: But he said also, "No useful purpose will be served by our considering them further."

Hon. Mr. CALDER: That is the basis that had already been suggested.

Hon. Mr. PARENT: At the time of their discussion.

Hon. Mr. CALDER: Yes.

By Hon. Mr. Calder:

Q. Is not that right, Mr. Armstrong?—A. That is my understanding, sir.

Q. It has not been that you had abandoned all hope of finding a pooling arrangement?—A. Perhaps I can straighten it out in this way. The joint executive committee did not remove their joint co-operative committee instructions to carry on studies of this pooling.

Q. Then you had a further matter in mind, and that was to consider the pooling there with pooling west of Port Arthur?—A. That was included in this.

Q. So you were trying to find a balance?—A. We were trying to find a balance.

Q. By linking those two proposed poolings together?—A. Yes, sir.

By Hon. Mr. Robinson:

Q. As I understand it, the Montreal Terminals were a sort of condition to considering the pooling west of Toronto, that the C.P.R. wanted to offset one against the other. Perhaps I should not ask you that, Mr. Armstrong. Really the C.P.R. wanted to place the Montreal Terminals against the pooling west of Toronto. The Montreal Terminals would not save anything: is that right?—A. I am not sure that is quite right. One of the reasons why the Canadian Pacific was so strongly in favour of adopting one of the existing stations in Montreal as a Union Station, and did adopt the Windsor Street station as its suggestion because no suggestion was ever made by anyone that Bonaventure would be adopted as a Union Station, was with a view to avoiding further heavy terminal expenditures by the Canadian National in building a station to replace the Bonaventure station.

Q. I could not understand why the Canadian Pacific should be so interested in protecting the Canadian National.—A. The Canadian Pacific is a taxpayer in Canada.

By Hon. Mr. Moraud:

Q. But if you have to spend \$6,000,000 on your station, would it not be just as well to have a union station in Montreal? It would be much more convenient for your station. Your station is a dead-head station, and always will be.—A. The station lies off the through lanes of traffic on Dorchester and St. Catherine streets.

Q. It is a dead-head station, and always will be.—A. Yes, sir.

Q. And the projected union station would not be.—A. No, sir.

Q. And judging by the figures I have read in the papers, it would not cost any more to build a new union station than you would spend on your own station.—A. Although it is a dead-end, a stub-end station, it is not subject to the strictions of a tunnel at one end and a drawbridge over a canal at the other.

Q. With that union station would it be subject to a drawbridge?—A. The station is not a grade crossing or any other obstruction between Windsor street station and the present coach yard or the coach yard being provided.

Q. But this union station would not be subject to any drawbridge, would it? It would not change the approaches very much. It is about a few hundred feet from your own station.—A. Wouldn't that depend on how our eastern trains arrive?

Q. At present your eastern trains all arrive in the Windsor station?—A. That was the suggestion for the new station was that our trains be diverted from the east, and come in over the Victoria bridge.

Q. But that is another story. They would not have to do that, would they?—A. There was either that alternative or the building of a long tunnel from the vicinity of Atwater avenue, under McGill University, to connect with the Canadian National tunnel.

Q. That is another scheme altogether.—A. Are you referring to the new Canadian National station as the union terminal?

Q. You would not have to go under McGill University.—A. Are you referring—

Q. Dorchester street station.—A. We were compelled to come into a tunnel in the vicinity of Atwater avenue, and swing north. That station lay at right angles to our station and almost in front of it. We either had the alternative of a tunnel or a high overhead structure to get into the south end.

The CHAIRMAN (Hon. Mr. Beaubien): Now, gentlemen, if you are finished, I am told by Colonel Biggar that this matter will be made perfectly clear if you continue with the evidence.

Mr. BIGGAR: The Chairman is rather optimistic.

Some hon. SENATORS: Oh, oh.

By Mr. Biggar:

Q. Well, will you go on? Probably in the light of the discussion we have had, you can summarize something that otherwise would have taken more time.—A. If the members of the committee have before them Proceedings No. 7, which Exhibit 40 appears—

Hon. Mr. HUGESSEN: What page?

By Mr. Biggar:

Q. It is the exhibits to Exhibit 40. You are turning to what page?—A. About the middle of page 294.

Q. That is where you left off last night.—A. That is where I left off last night, in Proceedings No. 7. Just below the middle of the page there is a paragraph A with an italicized heading.

Q. Yes?—A. The heading is, "The method of balancing burden and advantage in so far as train cancellations and labour displacement are concerned. That is the general heading for the material to follow.

The Canadian National originally proposed:—

(a) That the Canadian Pacific operate certain pooled trains London to Windsor over Canadian National tracks;

(b) That the Canadian National operate the Montreal-Winnipeg pooled trains Ottawa-North Bay over Canadian National tracks;

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- (c) That the Canadian Pacific operate the Toronto-Winnipeg pooled trains Toronto-Bala Park over Canadian National tracks; and
- (d) That the Canadian National operate as a part of the pooled Montreal-Winnipeg service a train Montreal-Ottawa over Canadian National tracks.

If the Canadian Pacific will agree to the operation of the Montreal-Ottawa service in (d) the Canadian National will handle the London-Windsor trains in (a) and agree to the Canadian Pacific operating on its own tracks the services listed in (b) and (c).

If you gentlemen have not this before you, you may find it difficult to follow.

By the Chairman (Right Hon. Mr. Graham):

Q. That was to make an exchange?—A. That was their proposal as I said before.

By Hon. Mr. Calder:

Q. You are there linking the pool west of Toronto with the pool between Montreal and Winnipeg?—A. Yes, sir, just that; seeking an equitable distribution of burden and advantage.

Q. When Sir Edward wrote that letter he had not before him this suggestion?—A. Yes, sir, this is dated July 11, 1934, and his letter is dated October 9, 1934.

Q. So, with that before him, he said, "We cannot agree upon that basis."—A. Yes, sir.

Now, in regard to paragraphs (a) and (b)—and that has to do with the operation of trains in the London-Windsor territory and the Montreal-Winnipeg territory:

The Canadian National position is that the operation by the Canadian Pacific of trains London-Windsor over Canadian National tracks and by the Canadian National Ottawa-North Bay over Canadian National tracks would aid the Canadian National labour situation by distributing labour displacement among several promotion districts and might be of similar advantage to the Canadian Pacific, and that operation of Canadian Pacific trains over Canadian National tracks London-Windsor would be a step in the direction of line abandonment by the Canadian Pacific, as suggested, Woodstock-Windsor.

The Canadian Pacific position is that due to existing agreements Canadian Pacific labour cannot operate over Canadian National tracks London-Windsor, and that the track abandonment study Woodstock-Windsor has not yet advanced to a point where it can be considered in determining action to be taken in connection with pooling.

Then, in regard to paragraph (c):

The Canadian National position is that to operate over Canadian National tracks Toronto-Bala Park would save extra train sections by reason of more favourable grades.

The Canadian Pacific position is that the difference in extra sections involved Toronto-Bala Park is negligible, being estimated at only 2,000 miles per annum, that the Canadian Pacific tracks have heavier rail and better ballast, are better maintained and are the more suitable for passenger trains, that the use of the Canadian Pacific line permits of Western connections at West Toronto and serves local traffic at both Parkdale and West Toronto, and that such use would allow further economy by permitting the Canadian National to reduce its maintenance standard Toronto-Bala Park.

In regard to paragraph (d):

The Canadian National position is that the operation of a leg of the pooled trancontinental service by the Canadian National Montreal-Ottawa is essential to it for its express fish traffic, its Maritime, Boston and New York connections, and to protect its traffic beyond Montreal and Winnipeg, that the Canadian Pacific cannot make the present time of two hours and fifteen minutes on its line Montreal-Ottawa with the single pooled train it proposes, and that to operate the pooled train as one train out of Montreal would involve so many additional train sections on the Canadian Pacific that the regular operation of a Canadian National train from Bonaventure would be justified.

The Canadian Pacific position is that discussion should be had with the railway express agency to see if an arrangement could be made to give the Canadian National the same net revenue as at present from the express fish traffic if it moved via Windsor street station instead of Bonaventure station, that any disturbance of the "beyond" business resulting in advantage to the Canadian Pacific could be taken into consideration in connection with business transferred from the Michigan Central west of the Detroit river, than the Canadian Pacific can make two hours and forty-five minutes or less Montreal-Ottawa with the pooled train and that this is no more time than would be required under the present schedule plus switching time at Ottawa if the Transcontinental trains east of Ottawa were based on both Windsor street and Bonaventure stations, that the second section miles Montreal-Ottawa, as jointly estimated, are less than 20,000 per annum as compared with approximately 90,000 per annum involved in a regular Canadian National train, and that to have a pooled train based upon both Windsor street and Bonaventure stations would involve additional cars in the consolidated train beyond Ottawa, thus reducing the car mile economy and increasing second section operation beyond Ottawa, and would also result in confusion and inconvenience to the public.

By Mr. Hugessen:

Q. So at that point the negotiations seem to have broken down on the one question of whether the Canadian Pacific and the Canadian National should both operate trancontinental trains between Montreal and Ottawa. Is that it?—A. And how the train service should be handled in the west of Toronto area.

Q. The Canadian National apparently agreed to the Canadian Pacific proposals on that if the Canadian Pacific would agree to allow the Canadian National to operate one train between Bonaventure station and Ottawa to connect with the through western train of the C.P.R.?—A. They would agree to the Canadian Pacific operating certain trains over the Canadian National tracks west of Toronto, but our agreements with labour prevented our operating trains over the Canadian National tracks, so we could not accept their proposal, do you see?

By Hon. Mr. Buchanan:

Q. Is that labour agreement applicable to all lines?—A. Yes sir.

Then we come to "The Use of Montreal and Winnipeg Stations," which is a general heading, lettered "B," at page 295:—

The Canadian National would not agree to the original Canadian Pacific proposal of July, 1933, that the Canadian Pacific stations at both Montreal and Winnipeg be used by the pooled Trancontinental trains. As a compromise the Canadian Pacific offered in February, 1934, to route its pooled Trancontinental trains via the Canadian National Winnipeg station, if Windsor street station only were used by this pooled service.

[Mr. John E. Armstrong.]

at Montreal. The Canadian National have not agreed to this compromise. They have stated that both stations must be used in Montreal, but that they are willing to consider routing the pooled trains via the Canadian Pacific station at Winnipeg.

The Canadian Pacific section considered that the pooled Transcontinental services should be based upon Windsor street station at Montreal and upon the Canadian Pacific station at Winnipeg. In its opinion this is the only method of handling the pooled Transcontinental services with convenience to the public, economy of train and car miles and equalization of load between pooled trains Sudbury-Winnipeg. It considers that any burden on the Canadian National by its use of these Canadian Pacific stations is negligible in comparison with the Canadian Pacific burden by its use of Canadian National trains, tracks and facilities in practically all Montreal-Chicago service.

By Hon. Mr. Hugessen:

Q. So that again comes down to this same one question, whether the Canadian National should be allowed to run an express train from Montreal to Ottawa, connecting with the transcontinental trains from the Windsor street station to the West, through Ottawa?—A. There was still an endeavour being made to find a balance of this entire set-up west of Toronto.

By Hon. Mr. Buchanan:

Q. You were prepared to compromise on the Canadian National Winnipeg station at one time?—A. Yes.

Q. Then you say: "The Canadian Pacific section considered that the pooled Transcontinental services should be based upon Windsor street station at Montreal and upon the Canadian Pacific station at Winnipeg?"—A. That is our contention.

Q. But you were prepared to compromise on the Canadian National station?—A. Yes, sir, and when we got to a decision they said they preferred to come to our station.

By Hon. Mr. Hugessen:

Q. But the one point on which you could not get together was that the Canadian National should be allowed to run a duplicate express between Montreal and Ottawa?—A. We found that to be lacking in economy,—90,000 train miles as against 20,000 second section train miles.

Q. How would that compare with the whole economy to be derived from pooling passenger train service between Montreal and Toronto and Winnipeg?—A. In this way: if the two railways ran separate trains out of Montreal they would have to run complete trains, surely, from the head-end cars and coaches and rear-end equipment,—I mean the baggage cars and express cars, coaches and parlour cars and sleepers, between Montreal and Ottawa, between Bonaventure station and Ottawa and Windsor street station and Ottawa, that is to run into Ottawa two complete trains; and we would have to combine them into one train at Ottawa for furtherance, which would make an unnecessarily heavy train west of Ottawa. I will just take a hypothetical instance, to give an example, and not go into the complexity of the whole thing. If we had a Montreal-Winnipeg sleeper leaving Bonaventure station and a Montreal-Winnipeg sleeper leaving Windsor street station, and each one had eight passengers in it, then we would be hauling two sleeping cars from Ottawa to Winnipeg to accommodate these eight passengers; whereas if the one sleeper were run from either station, those passengers would be accommodated in one sleeper and it would not be necessary to haul the second sleeper westward from Ottawa.

Q. I see that, but the Canadian National's principal interest in running a train from Bonaventure station to Ottawa was to protect its Maritime fish traffic.—A. That was not fish traffic from the Maritimes; it was fish traffic from the Pacific coast.

By Hon. Mr. Robinson:

Q. From the Maritimes and the United States, I think.—A. The fish traffic that was concerned in that situation was the fish traffic coming from the West landing in Bonaventure station for furtherance to New York. It was western fish bound for New York. And I think the Canadian National was quite justified in endeavouring to hang on to that business; it was business that was well worth having. But they were moving that into Bonaventure station and to New York—I cannot say which way, whether by Central Vermont or Rutland. Had that come into Windsor street it would have moved to New York by the D. & H., perhaps. We suggested that they take up the matter with the American Express Agency, with a view to finding out if they could not retain their same net earnings, even if it were moved from Windsor street and by the D. & H. as against from Bonaventure station and the Rutland.

Hon. Mr. CALDER: This is an interesting subject, but it seems to me we are getting nowhere at all. We could spend the whole day discussing this pooling question and when we were through we would not be anywhere. The situation, as I see it, is that they are still wrestling with the question. Surely we are not going to be called upon to solve it? Most of us do not understand what is being talked about at all. Briefly, the situation is, as I understand it, that the question of pooling the trains west of Toronto is still under consideration, and that there are a multitude of details to be examined before any conclusion can be arrived at. Now, coupled with that study is a study of the pooling of trains west of Montreal, towards Winnipeg. The two studies are proceeding. We have had an indication of the character of the studies, and it seems to me we can leave it there. We know the railways have not as yet agreed. Well, we are not going to make them agree; we are not going to attempt by our discussions to arrive at a conclusion as to what they should do. So I think we might pretty well leave it and go along to something else.

Hon. Mr. ROBINSON: Senator Calder said these studies are proceeding. Are they?

Hon. Mr. MURDOCK: We are just fooling ourselves if we consider any such thing. That was said by Sir Edward Beatty in July, 1934, and on October 9, 1934, he gave his definite declaration. It is quite true that it is said that he did not issue instructions to the Co-operative Committee in line with the declaration that he made to Mr. Fullerton. No useful purpose will be served by our considering this further.

Hon. Mr. CALDER: On the basis that had been suggested at that time.

Hon. Mr. MURDOCK: If we read the rest of these two paragraphs it would appear to imply on any basis. I think it can be agreed that nothing further has been done.

Hon. Mr. CALDER: Suppose we get a definite statement now from Mr. Armstrong as to just what the position is, in so far as those studies are concerned. Then we shall be through with that.

The WITNESS: Mr. Chairman, I think that Senator Calder has put his finger right on the meat of the nut. I do not believe we can solve the situation here to-day. The Joint Co-operative Committee literally spent months of intensive study on this. They had instructions from the Joint Executive Committee from time to time to concentrate on pooling and on nothing else until they had cleaned it up, and, as I say, we literally put months of study on it. We could not come anywhere near an equitable distribution of burden and advantage, and it finally

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terminated in Report 58, which was an agreement that we could not go ahead at the present time with further study of pooling, because we could not reach a conclusion.

Right Hon. Mr. MEIGHEN: What is the date of Report 58?

Mr. BIGGAR: The 20th of February, 1936.

Right Hon. Mr. MEIGHEN: That is long after Sir Edward Beatty's letter.

Mr. BIGGAR: Yes, 18 months after.

By Hon. Mr. Haig:

Q. But they went on negotiating after that letter?—A. Yes, there was an extensive study of pooling till Report 58 was filed.

By Hon. Mr. Calder:

Q. Have the two companies still in mind at all a possibility of pooling west of Toronto and west of Montreal to Winnipeg? Have they that in mind at all, or has the thing been abandoned?—A. I do not quite know how to answer that question.

Q. Let me put it this way. Do the executives of the two railway companies think that there is a possibility on some basis of arriving at a pooling of the trains west of Toronto and west of Montreal towards Winnipeg?—A. I cannot speak for what the executives may think.

Q. You have not their mind?—A. I have not their mind, no, sir. I can say this, perhaps, that to me it seems very obvious that there are economies still to be found in pooling, if an equitable adjustment of burden and advantage can be found in connection with them. Now, frankly, neither side can make that adjustment. We will have to get our minds together, the two sides, to reach some conclusion on that. So far neither side has found an arrangement which offers that conclusion.

By Hon. Mr. Robinson:

Q. Mr. Armstrong, following that up, do you think that some tribunal could be established that would bring about action in this matter?—A. A tribunal outside of the two railways to crack their heads together and tell them what they have to do?

Q. Yes.—A. I fear that any tribunal would have to take the best information that the two railways could give it. I see in the evidence here that it is mentioned as an "arbitrary" tribunal. I am afraid they would have to be very arbitrary, and say, "You will have to do so and so, because we say so, let the chips fall where they may."

By Hon. Mr. Copp:

Q. They would have to make a guess at it?—A. Yes. The railways have not been able to find a competent solution as regards burden and advantage.

By Hon. Mr. Calder:

Q. Briefly, the situation is this, that nothing at present is being done, and that so far as the Joint Co-operative Committee is concerned they are through, they are not making any further study, they have got no further instructions?—That is correct, Senator.

Hon. Mr. CALDER: I think we can let the matter rest there.

By Hon. Mr. Horsey:

Q. Are any studies that are assigned ever officially withdrawn? Is there any method officially withdrawing a study from a committee?—A. There are two ways of withdrawing it from the Joint Co-operative Committee. One is by the

Joint Co-operative Committee filing a report, which, if it is a final report, is final conclusion on that study; and the other way is by the Joint Executive Committee withdrawing the assignment from the Joint Co-operative Committee. There was one instance of that. The Joint Co-operative Committee had that assignment, amongst its very first assignments, to consider consolidation or abandonment of off-line and uptown city ticket offices. They struggle with that and finding that ticket offices were not all that was concerned, in a great many instances, but that telegraph and express were concerned along with ticket office facilities—well, they were getting nowhere with it, and that assignment was withdrawn from the Joint Co-operative Committee and given to the traffic vice presidents of the two companies.

Q. This particular study has not been withdrawn yet finally by the committee.—A. We have filed a final report, Report No. 58.

Q. But not finally withdrawn by the Joint Executive Committee?—A. We feel it has. Since we have filed the final report, until it is assigned to us again we have no mandate further to proceed with it. We are giving our time to other things.

By Right Hon. Mr. Meighen:

Q. You have not come to an agreement and have practically thrown up your hands. But in the process you evolved something which you thought reasonably fair in the way of distribution of burden and advantage, did you not?—A. Excepting for these three items I am reading in this memorandum. This is a memorandum by the Canadian Pacific section asking for further instructions.

Q. Except for three items. But what was to hinder you or the other side for that matter getting somewhat closer to what you thought as objection after objection was raised, and then submitting your plan to the Chairman of the Railway Commission and asking him to review that plan and the objections to it and the counter-objections by the other side, and give his decision as to what should be the right way of balancing burden and advantage? You have always proceeded on the hypothesis: unless I, Mr. Armstrong, and I, Mr. Fairweather can agree, there is nothing to be done. But that is not the theory of the Act at all. I make the allegation that you have abandoned the whole theory of the Act.—A. I think we go a step beyond that, Senator Meighen, in that when we cannot reach an agreement we go direct to the Joint Executive Committee and lay the burden on their shoulders.

Q. That is not what the Act says.—A. It would not be up to the joint co-operative committee to invoke the further requirements of the Act; that would be up to the executive.

Q. There is another body provided by the Act, and it is your business of the joint executive committee's business to go to that body. You come to us five years after the Act and admit you never went to that body.

Mr. BIGGAR: Shall I read the report of the Joint Executive Committee upon it, Report No. 58?

Hon. Mr. HAIG: Just before you do that, I wish to put a question. Mr. Fairweather said to us that in the case of abandonments and things of that nature neither side wanted to go to this arbitral tribunal because, in the public mind, they would be deserting this or that line of railway, and so on. But that would not apply to pooling. Following Senator Meighen's question, may I ask you this, Mr. Armstrong: Don't you think this should have been the course to be followed? "Here is what I think should be done west of Toronto, and so on. I have in mind what is fair to the C.N.R. and to the C.P.R., and here is my judgment as chairman as to what should be done." Then you should give that to your executive and send a copy to Mr. Fairweather, and Mr. Fairweather

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would do the same with his executive. Then why did not your executives go to the Railway Commission to decide the issue?—A. I think that question should be asked of our executive. That move was up to them.

Q. Here is what I am afraid the executive would say, "Oh, yes, Mr. Haig, but we never got such a proposition from our co-operative committee."—A. Would you like my view? I am not speaking for my executive.

Q. Yes.—A. My view is that just as soon as a co-operative matter is referred to an arbitral tribunal, automatically in the subconscious minds of the two sections of the Joint Co-operative Committee they will immediately anticipate further references of matters to the arbitral tribunal, and instead of endeavouring to co-operate they will endeavour to jockey themselves into the best possible position when the time comes to go to the arbitral tribunal.

An Hon. SENATOR: Hear, hear.

Right Hon. Mr. MEIGHEN: The more they are found unreasonable in one case the more careful they will be not to be unreasonable in the next case. For instance, if in one case that gets before the tribunal the judge finds there has been an arbitrary and selfish attitude on the part of one side, that it has not been doing its utmost to get to an agreement, that same side is going to be far more careful next time, because it knows it is going to get before the same tribunal. I cannot see why it should bring about an atmosphere of stubbornness and resistance to any real progress.

The WITNESS: Perhaps the only reference I can give you to the views of the executive in whose hands such a move would lie is that quotation from the 1934 annual report of the Canadian National. The National executive expressed its views there in regard to an arbitral train.

By Right Hon. Mr. Meighen:

Q. The Canadian National executive did?—A. Yes.

Q. That is the only thing in which you agree with them?—A. I would rather have it read than try to quote it.

Mr. BIGGAR: In case this matter may be raised again with the executive officers perhaps I had better read the reports. They are very short. The report of the Joint Co-operative Committee is dated February 20, 1936, and addressed to the presidents of the two railways:—

Extension of Passenger Train pooling arrangements to—

West of Toronto,
Montreal-Winnipeg,
Toronto-Winnipeg,
West of Winnipeg.

The Joint Co-operative Committee report their general agreement, that, under the present traffic conditions, the joint saving to be secured by such pooling might approximate \$800,000 per annum contingent upon joint station facilities being made available at London, Sudbury, Winnipeg, Saskatoon, Edmonton, Calgary, Kamloops and Vancouver, the pooling of revenues from all passenger, mail and express business in the territories affected, and the probable freezing of the proportional distribution of these revenues between the two companies.

In view of the disturbance to traffic which would be involved in any such pooling arrangements, the present day trend of passenger traffic tending to reduce any estimated economy, and the undesirability of freezing the distribution of a considerable revenue to secure a relatively small annual economy, the Joint Co-operative Committee recommends that no further action be taken at this time in regard to pooling of passenger train services as contemplated in this proposal.

It came before the Joint Executive Committee on March 3, 1936, and—

Right Hon. Mr. MEIGHEN: Just a moment. You could not complain if the executive committee did not act and go before the Railway Board when you yourselves recommend them to do nothing more about it.

Mr. BIGGAR: The Joint Executive Committee met on March 3, 1936, and there were present, Mr. Fullerton, Mr. Labelle, Mr. Beatty and Mr. Charles Gordon. Report No. 58 is referred to and the general character of it indicated, and then this note is made:—

The Joint Executive Committee approved this recommendation.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Armstrong, if I understand your report, you say there is a possible economy of \$800,000, but that is offset by disadvantages, and you practically conclude that the matter should be left alone. Is that right?

Right Hon. Mr. MEIGHEN: He says to-day there are economies.

By the Chairman (Hon. Mr. Beaubien):

Q. I am talking of the report.—A. Yes, sir.

Q. In view of that the Joint Executive Committee said, "Well, we will not proceed any further with it."—A. Mr. Chairman, I think both railways are very fearful in connection with the freezing of their passenger train revenue in Eastern Canada.

By Hon. Mr. Haig:

Q. What is meant by "freezing"?—A. The set percentage which shall be given to each company in perpetuity. When we say that forever the Canadian National shall receive 45 per cent and the Canadian Pacific 55 per cent or reverse the figures if you choose, of the passenger revenues in Eastern Canada, the railways feel they are taking a pretty severe chance in doing that for the sake of \$800,000 possible economy per annum.

By Hon. Mr. Sinclair:

Q. What capital expenditure would be involved to bring that about?—A. The capital expenditure was not determined. I think that would depend entirely upon how the pooling was put into effect.

Q. In connection with the report you mention certain joint terminals that would have to be created through the West.—A. Yes, sir. But it did not seem worth the time and effort to develop those figures when we knew the annual charges on those figures would have to be subtracted from the \$800,000.

Q. But there would be a substantial capital expenditure necessary?—A. Undoubtedly. There are no connections between the two railways at the places where these joint stations might be established that are available to-day.

By Hon. Mr. Calder:

Q. You reported in favour of freezing?—A. No, sir. Let me say this, that we thought there was a danger in freezing the percentage distribution of revenues.

Q. Why did you not provide for a freezing over a period of three years and see how that operated, with renewals?—A. After one has put a pool into effect how can one subsequently determine how the revenue would have been divided if the pool had not been in effect?

By Hon. Mr. Robinson:

Q. Mr. Armstrong, really this estimated \$800,000 saving does not take into account the losses, and I suppose it is really doubtful whether there was any worthwhile saving.—A. That is the point.

[Mr. John E. Armstrong.]

By the Chairman (Hon. Mr. Beaubien):

Q. And that is why it was given up?—A. Yes.

By Hon. Mr. Horsey:

Q. When the Joint Co-operative Committee could not come to an agreement and they ever advise the Joint Executive Committee to call in the arbitral tribunal?—A. The Canadian Pacific has not.

Q. I mean jointly. When they have decided there is a saving, but they cannot agree on the details, instead of advising withdrawal, did you ever advise the executive committee to resort to that arbitral tribunal?—A. That condition has never arisen. The Canadian Pacific has not advised its executive to call in the arbitral tribunal.

Q. They are asking for your advice as to how to settle a certain matter to save money for the road; you come to the conclusion that money can be saved, but you cannot agree on some of the details between you. Then you are making your report jointly, would you advise then that this is a case for the arbitral tribunal?—A. I imagine a great deal of discussion may be had between the chairman of the respective sections of the Joint Co-operative Committee and their own executive that does not become a matter of discussion.

Q. You join in to make this settlement and come to a certain point where you cannot agree on the details. Then what is the next step? Suppose there is a large material amount to be saved, do you advise that the arbitral board should settle the matter?—A. We have had just that condition of difference of opinion regarding details in various reports. Invariably that is set out as dissent paragraphs. The two sections each give their view of what should be done. That goes to the Joint Executive Committee, and the Joint Executive Committee in every case decides.

Q. I know the responsibility rests upon the Joint Executive Committee. But they have given you certain powers to co-operate and give them advice in your report to them.—A. The next preceding pooling report, No. 28, has dissenting signatures in it. They were set forth, and the Joint Executive ruled on that and decided what would be done.

Q. This division of responsibility as to how the arbitral board should be called when a conclusion has been reached that a saving could be made—

Hon. Mr. ROBINSON: But there is no conclusion that there would be a large saving.

Hon. Mr. HORSEY: Not in every one.

The WITNESS: That condition has never arisen.

By Right Hon. Mr. Meighen:

Q. Do you tell us that you never got in any case to a point where you realized that the savings could be made but you were unable to arrive at terms? That is the case you should have had any number of agreements already.—A. Do you mean the agreement on the report or on the agreement?

Q. You have been impressing us all along with the fact that you could not arrive at agreement with regard to the terms of burden and advantage, and also that there were numerous cases where you thought savings could be made. Those are the cases Senator Horsey has in mind. How is it they have never got to the tribunal?—A. May I divide my answer into two parts? I think there has been difficulty in some cases in reaching a joint conclusion on what should be reported to the Joint Executive Committee.

Q. Yes?—A. That is in the preparation of the reports. I am not referring to the agreements, but to the reports. I believe the studies looking towards reports are none of them hung up so that we will say we will not make a report on them. They are all leading to reports—favourable, adverse or dissent reports

—in which the Joint Co-operative Committee makes a joint submission to the Joint Executive. The difficulties come subsequently when we come into the detail of taking out the detailed information and applying it to the preparation of the agreements; and in no case where a matter has been continued active in hand have we failed in reaching an agreement. There are cases in which the information is not available, but every time it has become available we have been able to reach an agreement.

Q. That is to say that in these matters as to getting the information five or six years has not been enough?—A. I do not think it is quite fair to make that statement. We have quite a number of projects in effect.

The CHAIRMAN (Hon. Mr. Beaubien): They do not amount to much.

By Hon. Mr. Robinson:

Q. As I understand it, in many cases what looked like a chance to save money has after careful study turned out to be a very doubtful chance. Many of the savings are not what they were thought to be.—A. That is correct, sir, under co-operation.

By Hon. Mr. Horsey:

Q. How would it be different under anything else?—A. I think it would be distinctly different under another form of organization. If, instead of having separate interests involved—

Q. If there is nothing to be saved, how would there be any difference?—A. There are many things in respect to which there is no saving under co-operation, but under unification there would be.

Q. But there are things you have studied in which you say there is no saving.—A. The Canadian Pacific branch line Soulanges-Cornwall was spoken of. That is a short branch line that has nothing on it but Cornwall at the end. It was built by the Canadian Pacific to get into Cornwall. Under co-operation for the Canadian Pacific to withdraw its Soulanges-Cornwall branch would again be freezing for all time the business as of the test period that the Canadian Pacific expected to get from Cornwall. Under unification it would not make a particle of difference whether that branch line were in there or not because unified railways would get the same business from Cornwall, and the branch line could be taken out.

Hon. Mr. SINCLAIR: That would be a very good process of freezing.

The WITNESS: Under unification it is going into the common pot. In the other case it is going into two separate pots.

By Hon. Mr. Calder:

Q. In carrying out your work as a Co-operative Committee, did you ever consider the advisability of recommending to your executive, where you have not agreed, that the matter should be referred to the arbitral board?—A. The Joint Co-operative Committee has never discussed that subject.

Q. Did you never conceive that to be your duty? That is, where it came down to three or four points upon which you did not and could not agree, did you ever consider it to be your duty to recommend to the executive that the matter be referred to the arbitral board?—A. My answer to that must be in two parts, also. Where that has arisen the Joint Co-operative Committee has submitted to the Joint Executive Committee the respective views of the two sections of the Joint Co-operative Committee, and so far the Joint Executive has ruled on this. Now, as far as the Canadian Pacific section of the Joint Co-operative Committee is concerned, it feels that to the extent that the arbitral tribunal is invoked co-operation, as such, will cease.

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Q. That may be true, but you are getting away from my question. My question is as to whether or not in any case your Joint Committee ever considered the matters in dispute were of such a nature that they should be settled and could be settled only by the arbitral board?—A. The Joint Co-operative Committee never reached that conclusion. No, sir.

Hon. Mr. GORDON: Mr. Chairman, as one who is not a member of this committee, I have been a silent observer of its proceedings, and I think enough evidence has been produced here by both Mr. Armstrong and the gentleman who preceded him, for the Canadian National Railways, to prove conclusively that co-operation as it has existed and does exist is a failure. Both of them have said that substantial savings could be made if they could be put in operation, but they cannot agree. It appears to me, therefore, that time should be devoted now to taking evidence as to ways and means of getting some other system to bring them together.

By Mr. Biggar:

Q. Is there anything further you need to add on the subject we have been dealing with?—A. I think not. Perhaps, if I may take two minutes, I may finish the memorandum.

Q. There is nothing particular in the two paragraphs which of itself carries the discussion further?—A. Yes, in connection with the Michigan Central, I want to point out one thing in the last paragraph. When we speak of the Michigan Central I think the average person tends to regard it as solely a Canadian Pacific method of reaching Chicago from Detroit. I want to have a bear in mind that the Michigan Central is one of the parts of the New York Central System, and that in playing ball with the Michigan Central we are playing ball with the New York Central. If we were on the outs with the Michigan Central, as we might be if we began to upset things, there is no reason why they would not start in more to feed the New York Central System and send their freight business and trans-Atlantic business to New York rather than to Montreal. Because of our relations with the Michigan Central and New York Central a lot of business, I think, is moving through Canada that otherwise would not.

By Hon. Mr. Hugessen:

Q. There again, you would be in a better position if you were able to say the New York Central and the Michigan Central, "An arbitral tribunal has decided on our doing this."—A. We might be, but after all, the Michigan Central would not care about our arbitral tribunal. It does not matter particularly how the chip falls, the result would be the same.

By Mr. Biggar:

Q. That covers the subject of the first part of paragraph (d). What about the other parts of (d) and (c)? Is there any further comment?—A. I think not. The matter has been drawn to your attention in extenso.

Q. Now, I have a note on a number of other points.—A. May I have just a moment to look over my notes to see whether I have covered all of this question?

Q. Yes.—A. May I refer for a moment to the question of rental for the Windsor street station, which was mentioned by Mr. Fairweather? Early in 1903 when really the subject of pooling, the limited pool under report No. 4, was taken under consideration, the first study was in connection with general rates and the whole situation in Eastern Canada, and at a sub-committee meeting there was a suggestion made that as it would be desirable to make a list of many different terminals joint-use terminals—union terminals, if you like—a way of adjusting the matter was to take the difference in value

between the terminals of the National and the terminals of the Pacific and the railroad with the lesser value of terminals pay to the other railroad five per cent on half the difference of the valuation. That was suggested by the Canadian Pacific in the sub-committee meeting. The Canadian National objected and as far as I am aware that report has never since been mentioned. It certainly did not have any effect on the preparation of report No. 28, and I do not see how it could have had any effect on the mind of the Canadian National in reporting on 58 later.

By Hon. Mr. Cote:

Q. You are stating that in connection with Mr. Fairweather's statement that they did not want to use the Windsor street station because they charged interest?—A. Yes, sir.

Q. On half the value?—A. I do not remember how he expressed it.

Q. Is it correct that you have a train, a pool train from Windsor station to Toronto and that that train returns from Toronto to Bonaventure station?—A. That was true under report No. 4, the initial pool, but that was changed under report No. 28, and the fast afternoon trains depart from and arrive at Windsor street station. One departs at three o'clock in the afternoon and the other arrives at 10.30 in the evening.

Q. Is Bonaventure used for joint pool purposes at all?—A. It is used for the morning trains in both directions.

Q. So there is no shifting of trains from one station to the other?—A. There is shifting of trains between the stations in this way, that the locomotive and Canadian National cars on the fast afternoon train in both directions are handled at the Canadian National Turcotte yards. On the arrival of the train at Windsor street station certain Canadian Pacific cars are taken out of that train by switching, and the balance of the train, the Canadian National locomotive and cars, then is run around out beyond Montreal West and taken down to Turcotte and serviced there. Prior to the departure of the afternoon train from Windsor street station that train is put together with the Canadian National equipment and a Canadian National locomotive at Turcotte yard and brought down to Windsor street station and there Canadian Pacific equipment is added to it. In this sense there is transfer.

Q. Is it a long distance?—A. That would be—

Hon. Mr. MURDOCK: Say 18 miles.

The WITNESS: It would be 12 or 14 miles.

By Hon. Mr. Murdock:

Q. Better than that, wouldn't it? There would be a substantial payment for terminal work for the crew that was going out on that pooled train to Toronto?—A. I assume so.

By the Chairman (Right Hon. Mr. Graham):

Q. In all the discussions and calculations was any special credit given to the Canadian National for having an A-1 double track line, say, from Montreal to Toronto, on which the Canadian Pacific was enabled to carry its traffic? I have always been told that for safety and speed and lack of switching, and sidings, and that kind of thing, that a double track line was superior for passenger traffic. Now, in view of the fact that the Canadian Pacific passenger service was given double track line advantages, would the Canadian National be entitled to any advantage? And if so, did it get any?—A. I would like to answer the question in this way, Mr. Chairman. Prior to pooling, the Canadian National was running between Montreal and Toronto on a six-hour schedule. Prior to pooling the Canadian Pacific was running between Toronto and Montreal on a six-hour and fifteen minutes schedule. I believe that whatever schedule

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Canadian Pacific had made, the Canadian National could have made a faster one. I believe that if we had gone on a six-hour schedule, the Canadian National could have gone on a five-hour and forty-five minutes schedule, and so on, forcing competition. That is why when the Canadian National put a six-hour train on, the Canadian Pacific did not put on a fast train until over a year afterwards. They found that the fast train was taking business away from them, but rather than put on a six-hour train they put on a six-hour and fifteen minutes train. When the trains were pooled, the schedules were cut to six hours and a half.

Q. The Canadian Pacific is double-tracked for about one-third of the way?—A. For over one-third of the way. There is a single track between Glen Tay and Agincourt. And of course we are single track down the Don to Leaside.

Q. When you come to Cobourg, for instance, one of the benefits that the Canadian National claim is the double track.

Hon. Mr. CALDER: I thought we had dropped the details of all this pooling. Mr. Chairman.

By Hon. Mr. Robinson:

Q. May I ask one question? I do not want to throw any dynamite into this, but there is one point I should like to ask about. In connection with the trains west of Toronto something was said about labour agreements. Are labour agreements an interference with the saving of money? I do not know whether that is a fair question to ask or not, but sometimes I hear a lot of talk outside about labour having something to do with this matter.

Hon. Mr. MURDOCK: I think that what Mr. Armstrong meant by labour agreements was this, that the men on either the Canadian National or the Canadian Pacific are of course jealously desirous of retaining the right to handle the main service on their own line, over the rails of their parent line; they do not want men from the other line to come over to the line that is handling the traffic.

By Hon. Mr. Robinson:

Q. Perhaps you would sooner that Senator Murdock answered the question than that you would answer it yourself?—A. The best answer I can give you to that, sir, is that I am not conversant at all in detail with the labour agreements. I leave that to our department of personnel, whose sole object it is to look after that.

Q. I do not want to get you into any trouble.—A. I am afraid you would, I tried to answer that.

By the Chairman (Hon. Mr. Beaubien):

Q. Do you think the work of your Joint Co-operative Committee was slowed up at all by the adoption of the policy to consider projects by pairs, so that you could balance off advantage and burden between the two companies?—A. I know that the start of the study on line abandonments was postponed for several months awaiting such action as would permit of putting out the reports for study. The Canadian Pacific has never suggested that these matters be paired. They believe that each line abandonment should stand on its own feet and that it can be adjusted on its own feet.

Q. Whichever company it came from, do you think that that policy slowed down the effectiveness of your work?—A. I know that if that policy had not been adopted—I say that I know, but perhaps I should say I believe—I believe that that policy had not been adopted by the Canadian National in January, 1936, at the request to joint local committees on some of the reports would have come out long before they did, and probably all the reports would have gone out for study, instead of only some of them.

By Hon. Mr. Buchanan:

Q. The inability of the railroads to come to some agreement on ticket offices in the larger centres has not been explained to my satisfaction up to the present. In Toronto you have joint sale of tickets in the Union station but at the corner of King and Yonge you have two ticket offices, one each for the Canadian National and the Canadian Pacific. Would it be possible to have joint ticket offices, joint telegraph facilities, joint express offices in the same building, just as you have them in the Union station? Would there not be considerable economy in rentals and other respects from a policy of this kind?—A. That comes down strictly to a question of individual cases. In Toronto Union station there are separate ticket offices under the same roof. I imagine that under the same roof is what you have in mind?

Q. Yes.—A. When you begin moving our telegraph offices around, such offices, for example, as that on King street, Toronto, and as we have here in Ottawa with our uptown ticket office which has express in it, the taking out of the telegraph terminals at that point and moving them into a common building would in many cases practically consume the available economy, from making the move. There is terminal telegraph equipment there that I cannot attempt to explain to you, because I do not understand what it is. It is apparently a complicated thing.

By Hon. Mr. Calder:

Q. You cannot use common equipment at all?—A. No, sir, it is a case of taking this equipment out of one location and putting it in another location. I am told that that is a very expensive proposition. I am not a telegraph man, so I cannot give you details of that.

By Hon. Mr. Buchanan:

Q. If you had unification, would you not do that? Would that not be one of the first things you would do?—A. I should think that where the telegraph lines ran into two offices like that, that it might be possible to abandon one set of equipment for that purpose.

Q. But it cannot be undertaken through co-operation?—A. There is no saving, in a great many cases, in taking the equipment out of one building and putting it in another building, and still having the same equipment.

By the Chairman (Hon. Mr. Beaubien):

Q. In that case, Mr. Armstrong, that would simply do away with the duplication?—A. Yes.

By Mr. Biggar:

Q. You have dealt with the arbitral tribunal, and we can go on with the question of abandonment of lines. There are two kinds of abandonment, I understand: the abandonments that we have discussed already by reference to Exhibit 37, the co-operative abandonments; and then there are the independent abandonments?—A. Thin traffic line abandonments.

Q. Those that have been made have been listed in Exhibit 31, page 12. You have only made six applications for abandonment, the Canadian Pacific. Can you tell us about those?—A. Four of them were approved by the Board.

Q. And of the other two, one was approved in part and the other was refused?—A. Yes.

Q. All together I figure those applications were for 128.22 miles, for the six of the applications?—A. Yes.

Q. We were told by Mr. Fairweather that there were 500 miles of Canadian Pacific light lines that were in the proposals for the 5,000 miles abandonment made in 1922. Can you tell us anything about why only 128 miles have

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been actually the subject of abandonment application?—A. Would it be possible, Mr. Biggar, to reserve the discussion of the unification mileage abandonments until the unification matters are presented? After all, I am speaking of co-operation and I am not prepared at the moment to speak of unification matters.

Q. In the letter to Mr. Moxon of the Duff Commission, which Mr. Fairweather read and which appears at page 312 and following pages, it is stated that there was included in the mileage dealt with there, which appeared in our program but not in the Canadian National, 507 miles of thin traffic lines. Were those all duplication miles?—A. Is that discussing the 5,000 miles abandonment?

Q. Yes.—A. There never was a co-operative 5,000 miles program. That was a unification program.

Q. Now I am speaking about these independent abandonments that had nothing to do with co-operation.—A. I have never seen any detail of those 500 miles that Mr. Fairweather has spoken about.

Q. On the question of the savings per mile of line abandonment, there was a reference to the fact that a certain group amounted to \$952 a mile?—Mr. Biggar, you were referring to the thin traffic line abandonments?

Q. Yes.—A. This honourable committee asked for some information with regard to the principles adopted by the Board of Railway Commissioners in connection with the approval or refusal of such line abandonments. I have a little information on that for you if you care to have it.

Q. We have the judgments of the board before the committee.—A. In regard to these lines?

Q. Yes.—A. I am going beyond that if you care to have it.

Q. Very good.—A. Prior to 1933 there was nothing in the Railway Act dealing with line abandonments. I assume that when the Railway Act was passed they were not looking forward to railway abandonments.

The CHAIRMAN (Right Hon. Mr. Graham): It was the other way.

The WITNESS: They were looking forward to construction. In 1933 there was an amendment to the Act, which gave the board authority over the termination of operation of railway lines. That is, the board was given control over whether the railways might abandon the operation of trains over a line. The amendment does not give the board any authority over taking up the tracks after the service has been taken off the tracks.

By Hon. Mr. Dandurand:

Q. That is the amendment to the Railway Act of 1933?—A. Yes.

Q. I alluded to that last week as being legislation that imposed upon the railways the obligation of railway abandonment going to the Railway Board; but I was told the Railway Board always had that power.—A. As usual, Senator, you were correct.

That amendment does not lay down any principles to be considered by the board in authorizing abandonment of operation, so that all we can go by is judgments. I think it was Senator Calder who asked a direct question on what judgments there were which gave an indication of the principles which were being applied by the board.

This is a pretty broad judgment. It does not lay down principles one, two, three, four, but you can see some principles in it. This was an application of the Vancouver, Victoria and Eastern Railway for permission to abandon a portion of its line of railway from Princeton, B.C. to the International boundary, a distance of 58.40 miles.

By Hon. Mr. Hugesson:

Q. Is that a subsidiary of the C.P.R.?—A. Of the Great Northern.

In refusing this application on April 9, 1936, Chief Commissioner Guthrie summed up as follows the general principles on which the Board relies when dealing with applications of this nature:—

Since the amendment which was made to the Railway Act in 1933 providing that a railway company shall not abandon the operation of any line of railway without the approval of this Board, a considerable number of applications have been considered by the Board. In dealing with such applications the Board has made it a rule that each application must be determined by the particular circumstances surrounding each case. Prior to the enactment of the amendment of 1933 a railway company might abandon an unprofitable portion of its line of its own motion, unless there were some restriction upon its so doing either in its Act of Incorporation or under the terms of some contract or agreement. Under this state of affairs the convenience and the necessities of the public might be entirely disregarded by a railway company which desired to abandon the operation of an unprofitable line. The amendment to the Railway Act in 1933 was intended to remedy this difficulty by providing that the interests of the public should at least be considered before such abandonment should take place. In practically all of the applications for abandonment which have come before the Board the loss sustained by the railway from the operation of a particular line has been manifest and in some cases very serious. But this Board has uniformly decided that loss sustained by the railway company arising from the operation of a line of railway is not of itself sufficient to justify the abandonment of the line. It must also be shown that the community resident in the territory affected, and the industries established therein will not be unduly inconvenienced or prejudiced by such action on the part of the railway company. In other words, it must be demonstrated that the local community will not be unreasonably deprived of access to their properties and to markets and to shipping facilities for their produce either by railway, highway or other means of transport. The issue in each case where abandonment is sought resolves itself into question of "whether the loss and inconvenience to the public consequent upon the abandonment outweigh the burden that continued operation of the railway line involved would impose upon the railway company. This was the decision pronounced by the Board in the recent case of *Canadian National Railways vs. Tweed*, reported in 44 C.R.C. at page 53. In my opinion this decision constitutes a guiding principle for the determination of cases similar to that now under consideration.

Mr. Guthrie said later:—

Having regard to all the facts and circumstances which surround the present application, I am unable to find that the burden which may be imposed upon the applicant company through continued operation of the railway line in question will prove greater than the loss and inconvenience to be suffered by the public as a result of abandonment. I feel satisfied that the preponderance of loss and inconvenience will be unquestionably upon the public. I am inclined to think that the applicant company has taken a much too despondent view of the prospect for railway operation as it exists to-day, particularly through the territory traversed by this line of railway.

In that case the railway company had shown that their net operating loss had averaged \$20,000 a year since 1929; that it had become a practical impossibility to continue operation of the line; that the line had neither rolling stock

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or other equipment to carry out operations nor had it money or credit to lease or purchase same; that the road bed and bridges had not been repaired since washout in 1934; and finally, that a considerable expenditure of money would be required to put this line into proper condition.

By Hon. Mr. Calder:

Q. In other words they had abandoned it.—A. At least, they could not operate.

By Mr. Biggar:

Q. Mr. Armstrong, that was true also of the O'Donnell-Turbine line, which the third in the first part of Exhibit No. 31, is it not?—A. Yes, sir. We had ceased the operation of that line before the amendment of 1933.

Q. Can you tell us what the savings were with respect to other lines that you had not abandoned operation of before you got leave from the Board? What about the Shore Line Junction-Bonney River Line; do you know what the savings were?—A. Mr. Biggar, I assumed you would have that information.

Q. I was given a memorandum which indicates the amount is \$37,029 for the Shore Line; \$496 for the Part Stobie stub-Blezard Mine Line; that there was no saving at all for the O'Donnell-Turbine line; and that for the West End-Grubald line the saving was \$9,241. Then for the International Boundary-Eastman line, in the second part, the saving was about \$14,000, and for the Cardau-Gerrard line, the refused application, it was \$26,057. If those figures are not right they can be corrected afterwards.

I was asked whether the amount suggested as an average for line abandonment of about \$1,000 on the basis of one group having showed an average gain of \$952, if that was a proper figure.—A. In my opinion that is not a proper figure to use in arriving at the value of line abandonments. May I refer you to Report No. 34? I am going to speak of Reports Nos. 34 and 35 in this connection. It will only take me a minute. It will be a short statement.

Q. Yes.—A. Under the report—please make a distinction between the report and the agreement, because that is the distinction I am making—under the report as a result of the preliminary study the estimated joint annual savings were \$16,800, and it was expected to abandon 21·84 miles of line. By dividing \$16,800 by 21·84 the resulting figure is \$774 a mile.

Q. Yes.—A. The agreement figure—not the report figure—which was prepared after detail study resulted in a figure of \$15,454 of saving, and the net mileage abandoned was 12·9. In the proceedings it appears as 13·33, but if you will refer to that portion of that exhibit showing Schedule A to accompany agreement 34, you will find the derivation of the 12·9. It is the net abandonment of the 13·33.

Q. You are referring to the Middleton Junction abandonment?—A. Middleton Junction-Bridgetown.

Q. That is at page 176, Exhibit No. 38.

Q. Yes.—A. Dividing \$15,444 by 12·9 miles, the savings become \$1,198 a mile. A pure matter of division.

In Report No. 35 the same two figures are derived in this way. The original estimated saving of \$12,837, divided by the original mileage, 16·5, resulted in a saving per mile of \$778. Taking the agreement figure, \$29,725, and dividing by the net line abandonment, which is derived in the same way as in the other schedule, 15·58 miles, the saving is \$1,908 per mile. Both of these lines were relatively light lines.

Q. They were relatively light because you were only abandoning light lines?—A. No. They were co-operative, and we made abandonment of heavy traffic lines under co-operation.

Q. I see.—A. There were savings there of \$1,198 per mile on a line of railway which, if I recall correctly, had four trains a week over it. I think there was a round trip twice a week on it, but that can be confirmed.

Q. Your point really is that these figures run from \$750 to nearly \$2,000. A. I point out that under the preliminary reports they ran \$700 odd a mile, both of them, and the final definite figures on the agreement as to one line being \$1,198 per mile and on the other \$1,908 per mile, or a substantial difference between the preliminary figures and the final definite figures.

Q. You mean that you have got to make an exact analysis of the particular line to find out what its per mile saving will be?—A. Or, to express it slightly differently, it does not give a fair bargain to add together the expected savings under the reports which are preliminary information and divide it by the expected abandonment in the reports and say that is the final figure of the savings per mile of line.

Q. And what would you say about Exhibit 30 and Exhibit 31, the independent lines that were abandoned?—A. As far as I have seen, detail figures were not prepared for those lines.

Q. The figures are given, and they run about, or under \$100,000 a line.—A. Those again were report figures, not agreement figures.

Q. Are those independent abandonments?—A. Oh, the exclusive lines. I thought you were referring to reports 29 and 31. I am sorry. Those matters were handled on the basis of the preliminary reports. It was not necessary to go into details.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, if we have the patience to sit for another ten minutes, we can probably complete the evidence of this witness.

Right Hon. Mr. MEIGHEN: I cannot see the point of going into the details of all these abandonments over and over again.

Mr. BIGGAR: I agree.

By Hon. Mr. Horsey:

Q. You said in your evidence, Mr. Armstrong, that there was some delay caused when two or more abandonments were brought in instead of coming one at a time.—A. What I intended to say was this, that if we must hold up consideration of one line abandonment until another can be brought in there is delay.

Q. There was a suggestion made to your company, I understand, by the Canadian National, that certain exchanges of mileage should be made in which without considering the small detail of burden and profit.—A. I think Mr. Fairweather made that statement and later qualified it by saying a proposal of that kind had never been made by the Canadian National to the Canadian Pacific.

Q. At page 110 of No. 5 of the Proceedings Senator Beaubien asks the question:

Q. Mr. Fairweather, you have, I understand, a group of lines ready to exchange abandonment of. Naturally as compensation the C.P.R. would have to abandon an equal number of lines also. Could you give us an idea of the number and the importance of those exchanges that you have prepared?—A. The chief one that occurs to me—

Q. How many are there?—A. I really would not want at the present moment to speak in more than general terms in regard to it. But on the Manitoba there is a situation which might be handled in that way. You would care to have me submit a statement I will do so. I should really like to refresh my mind on a thing like that.

Q. Are there several of them?—A. Yes.

Q. Could you give us an idea, do they amount to a dozen, two dozen, thirty?—A. It would not be thirty. It might be half a dozen lines.

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hat, it seems to me, could have been dealt with in a more wholesale manner, and we would have got a great deal more speed.—A. There again comes the protection of the different properties under co-operation. In this matter I have been referring to in connection with agreements No. 34 and No. 35, where, I assume, the Canadian National thought the lines were in balance—they seemed to be in balance, perhaps, under the reports as submitted—we found one of them was almost twice the value of the other per mile in the matter of savings.

Q. But you did not wish to consider it in that way at all?—A. We feel, if it comes to the exchange of lines, that we would have to determine the value of the line in just the same way as if an agreement were going to be prepared. If they are in balance, we would say to wash them out.

Q. But I understand that your policy was not to take up that matter at all. A. Oh, no. The Joint Co-operative Committee has agreed in the preamble of Report No. 32, for example, which I think is one of the exhibits, that where lines are found to be in balance they will be handled without agreement. I cannot give you the wording of it, but it is there. But no one has yet suggested that lines are to be in balance that way.

By Mr. Biggar:

Q. Now, you said with regard to the North Bay situation that you were aware of the difficulties the Canadian National had with the T. & N.O. until you heard Mr. Fairweather's statement to the committee. It is suggested that there was some correspondence by Mr. Fairweather and Mr. Grout on that matter.

A. Yes. Mr. Fairweather wrote to Mr. Grout suggesting that this matter be referred back for study by the local committees, and it was suggested that the matter be carried on by the joint local committee leading towards agreement of information and that the difficulties would be shown up in that. Mr. Grout had no information up to last Saturday as to what the difficulties were.

Q. Now, the proposed abandonment of the shore line of the Canadian Pacific passing through Belleville. Was there in the proposed abandonment by the Canadian Pacific anything in connection with the operation of the line by the Canadian National which would prejudice or impair the full enjoyment by the Canadian Pacific of the traffic it carried over its own line?—A. Would you read that again, please?

Q. Was there in the proposed abandonment of the shore line by the Canadian Pacific anything in connection with the operation of the line by the Canadian National which would prejudice or impair the full enjoyment by the Canadian Pacific of the traffic it carried over its own line?—A. The Canadian Pacific is not objecting to the handling of its through trains over Canadian National rails. That is not the point. It is the withdrawal of representation, the difficulty of finding a solution of this problem of withdrawing their representation between Hannonsville and Darlington.

Q. That 17 miles between Komoka and Glencoe that you refer to, between Woodstock and Windsor, is an obstacle. You spoke about it being inadequate to handle the traffic of both roads. Would it have been inadequate to handle the pool trains of those railways?—A. I am unable to answer that.

Q. You do not know?—A. I do not know. We did not get down to a detail of that kind, because we could not find a general balance of burden and advantage.

Q. Can you tell us what the estimated savings in connection with the joint switching in Toronto were?—That is Report 27. I think probably that inquiry was directed to what they were under the second alternative, not the original?—That is the only report that has been made. It is \$16,430, under Report 27.

Q. And there was no other figure, as far as you know?—A. No, sir. That is the report that was made, and that is confirmed by the Joint Co-operative Committee.

The CHAIRMAN (Hon. Mr. Beaubien): I understand the Senate will have its hands full this afternoon. We have very little chance of sitting again to-day, I believe. Therefore it is the opinion of the two leaders that we had better adjourn until next Tuesday morning.

Right Hon. Mr. MEIGHEN: I think that Senator Dandurand has since suggested that we might meet this afternoon for an hour or so.

Hon. Mr. DANDURAND: I think we could do so, if we had any business before the Committee. But if Mr. Armstrong is through and no one else is to be called to follow him, it may be unnecessary to sit this afternoon.

The WITNESS: Mr. Chairman, may I interrupt? I am not quite through but I think I could finish in thirty minutes or so, easily.

The CHAIRMAN (Hon. Mr. Beaubien): Then we had better finish with Mr. Armstrong this afternoon.

Hon. Mr. DANDURAND: As soon as the Senate adjourns we shall resume our work here.

The Committee adjourned, to resume after the Senate rises this afternoon.

AFTERNOON SESSION

The committee resumed at 5.40 p.m.

J. E. ARMSTRONG (Examination resumed).

By Mr. Biggar:

Q. Mr. Armstrong, the principal subject you wanted to deal with was the statement with regard to the economy that could be made by co-operation which was submitted to the Duff Commission by Mr. Beatty in 1932, and which will be Exhibit No. 48. You wanted to attach to that the summary statement of the effect of the figures given by Mr. Beatty to the Duff Commission which will be Exhibit No. 52. Could you deal generally with those figures from the point of view from which you desire to deal with them?—A. On February 19, 1932, Sir Edward Beatty submitted to the Duff Commission the statements and a summary showing economies possible by co-operation of the Canadian National and Canadian Pacific Railways in establishing joint trackage, stations and terminals. In that there were suggested for abandonment 1,582 miles of railway, and the estimated savings from that abandonment was \$3,988,870. There was an estimate for the joint stations and terminals totaling \$2,269,337. The details of those two figures are given in the attachment to the summary sheet and all part of Exhibit No. 48. In addition, on the summary sheet there is an item for consolidation of Okanagan services.

Q. And that amount is \$90,000?—A. \$90,000. The total of those three items, which is the only detailed estimate ever submitted by the Canadian Pacific, is \$6,348,207.

Q. The only detailed estimate with regard to savings from co-operation—A. From co-operation, yes, sir. I am speaking of co-operation only. Prior to that, Sir Edward had advised the Royal Commission that co-operation in express services might be expected to result in economies of \$900,000, and co-operation in communication services—that is, telegraph and telephone and wire service—might be expected to produce economies of \$750,000.

By Hon. Mr. Buchanan:

Q. Those are all under co-operation?—A. Yes, sir. The total of the three is \$7,998,207, or, in round figures, \$8,000,000.

[Mr. John E. Armstrong.]

By the Chairman (Hon. Mr. Beaubien):

Q. That is express and telegraphs and what?—A. Express and telegraphs and line abandonments and joint stations and terminals. Subsequently the passenger traffic managers of the two railways jointly agreed that there were duplicating passenger train services in Canada of approximately 10,000 miles per day, or 3,650,000 miles per annum.

By the Chairman (Right Hon. Mr. Graham):

Q. That is train miles?—A. Yes. Adding that to the \$8,000,000 would give a figure of \$11,650,000.

By Hon. Mr. Robinson:

Q. Figuring at about \$1 a mile?—A. Yes, per train mile. That is an arbitrary figure, but it is about as good as any, on the average, when you speak of a train mile. To date the Joint Co-operative Committee has favourably reported upon 15 of the projects listed in this exhibit.

By Mr. Biggar:

Q. That is, 15 of the projects, both line abandonments and others?—A. Yes, sir, of this total list in the exhibit.

Q. And the total of the projects listed is what?—A. It is either 22 or 23 line abandonments, and joint facilities in sixty-seven different locations; I believe there are actually suggested 87 different joint facilities at sixty-seven locations.

Q. And out of that total number of projects the Joint Co-operative Committee has dealt with how many?—A. Has dealt with a total of 19. Of those, 15 were favourable and 4 were unfavourable. The total estimated saving in those 19 projects was \$780,000. This was an ex parte forecast of possible economies. It was expected that when the two railways got together and examined the thing jointly there would be additions to it and subtractions from it; that would be only natural in the joint consideration of an ex parte statement. So the loss of those four items that were adversely reported upon is nothing very surprising. Actually, in place of those four items which we lost in joint consideration, we added twelve items that were not in this list at all. The estimated total savings under the reports as presented to the Joint Executive Committee by the Joint Co-operative Committee for the total of 27 items that have been favourably reported upon—15 from this list and 8 outside of this list are \$799,000 per annum. That is, so far in progressing through this list we are 2 or 3 per cent ahead of the forecast. Now, at the moment nothing is being done in regard to telegraphs or express. We must for the moment consider them as inactive co-operative projects.

By the Chairman (Right Hon. Mr. Graham):

Q. They are fairly difficult to arrange, I imagine?—A. Yes, sir, both of them. In this statement there is nothing for pooling of passenger train services. We have pooled passenger trains to the extent that the estimated savings, at \$1 a train mile, are \$972,000 per annum. By adding the \$799,000 odd to the \$972,000, we get a total of \$1,771,655, which is the total in that list of 62 reports of projects in effect and not yet in effect. It is the sum of the money values in the two columns in that statement.

By Mr. Biggar:

Q. That is the statement, Exhibit 29?—A. I think that is it.

Q. The statement of the Joint Co-operative Committee?—A. Yes sir. I think that is all I need to say about that set-up.

Q. Right. Now, there was one other point I think you wanted to deal with. That Wolfe's Cove was referred to.

Hon. Mr. PARENT: I suggest that if you go on that ground it will take too long.

The CHAIRMAN (Hon. Mr. Beaubien): Let us see what we can do up to 6 o'clock.

The WITNESS: In the matter of Wolfe's Cove, Mr. Fairweather in giving evidence on May 17 stated—

By the Chairman (Right Hon. Mr. Graham):

Q. Where is Wolfe's Cove? Some of us do not know; I do.—A. Then you will correct me, sir, if I go wrong. Wolfe's Cove is a few miles by the river from the city of Quebec. It is in effect Quebec when we talk of rail and water transfer.

Mr. Fairweather stated: "At the time when the Canadian Pacific were considering construction of a tunnel connecting their lines at Quebec and Wolfe's Cove, which they did construct, we thought—and this was long before the C. N.-C. P. Act—that an economy would be indicated, that if they would use our lines down there it would save them the cost of the tunnel and allow us to get a little revenue from this line. I know I suggested to Sir Henry Thornton that I approach the Canadian Pacific with a view to having them use our line and save the expense of the tunnel, but apparently nothing came of it."

The facts of the situation as I understand them are these—and I may say I was more concerned in the matter at the time, this was before co-operation and before I was relieved of other duties—the Canadian Pacific approached the Canadian National asking the right to reach Wolfe's Cove over the Canadian National lines. The Canadian National, after giving due consideration to the matter, made the Canadian Pacific an offer of a means of using that line. That contemplated building a connection about one mile long between the Canadian Pacific and the Canadian National line in the vicinity of Belair and running over the Canadian National for a distance of about twelve miles.

By the Chairman (Right Hon. Mr. Graham):

Q. Is that the old Canadian Northern?—A. Yes, sir. Figuring the rent cost of that line and the other charges that would be involved in operating in that manner, the annual cost of accepting that offer, which, I may say, also included a restriction imposed by the Canadian National that if the Canadian Pacific accepted that offer they would bind themselves to serve no ships at Wolfe's Cove except Canadian Pacific ships. The annual cost to the C. P. R. of adopting that proposal, with that restriction, as we estimated it at that time was \$86,900 per annum. At the same time while the Canadian National was preparing this offer we were preparing an estimate of the tunnel and the cost of building the tunnel line and the so-called Wolfe's Cove line. The comparable annual cost, including the same elements of cost for the tunnel line, was \$45,400, approximately half of the Canadian National offer, and of course going in our line we would retain the right to serve any ship at Wolfe's Cove, which seemed rather essential to us. For that reason quite naturally we adopted the Wolfe's Cove tunnel line.

By Mr. Biggar:

Q. Does that cover the ground?—A. That covers my submission.

By Hon. Mr. Murdock:

Q. Has that piece of the Canadian National from Belair into Quebec since been abandoned?—A. Not to my knowledge, sir.

[Mr. John E. Armstrong.]

Q. We heard the other day that a part of the old Canadian Northern had been abandoned.—A. Are you referring to the Dombourg-St. Marc abandonment?—

Q. No.—A. There was an abandonment between Dombourg and St. Marc, which is west of Belair.

By Hon. Mr. Robinson:

Q. So a tunnel was built?—A. Yes, a tunnel was built.

Q. It would be interesting to know the actual cost, how it compared with the estimated cost.—A. The actual cost of the tunnel was somewhat higher than the estimated cost. After our estimates had been made and our plans all set and under way, they asked us to revise the location of the tunnel slightly. That was done by the Battlefields Commission. The relocation of the River de portal of our tunnel slightly lengthened the tunnel. I am sorry I cannot give the exact cost of the tunnel.

By the Chairman (Right Hon. Mr. Graham):

Q. That is the fact though?—A. Yes, sir.

By Hon. Mr. Robinson:

Q. The actual annual cost, how did it work out? I mean the annual cost of operating this tunnel line.—A. I doubt if we have figured the annual cost of that separately. These estimates were made when we were comparing two alternatives available to us at the time, and after we had determined and gotten under construction this change was brought about. Our plans were set then and it was too late to change them.

By Hon. Mr. Murdock:

Q. But the original proposal of the C. N. was \$86,000 annual rental.—A. No, sir. The rental was less. That \$86,000 includes rental and the extra cost to us of moving equipment from Wolfe's Cove to Quebec and back to Wolfe's Cove, and operating to serve Wolfe's Cove.

The CHAIRMAN (Right Hon. Mr. Graham): I dislike to interrupt you, but counsel wants to make a statement, and may probably desire to ask you a question or two on it.

Mr. BIGGAR: As far as I am concerned, I have finished asking Mr. Armstrong questions, and I just wanted to tell the committee, that at the suggestion of Senator Dandurand, there will be found attached to yesterday's proceedings, which will be in print and ready for distribution to-morrow, a statement with regard to co-operative economies. This contains the figures with regard to co-operative economies that Mr. Armstrong has just referred to. That Exhibit No. 48.

There will also be found attached to the printed Proceedings the figures submitted by the Canadian Pacific Railway to the Duff Commission, at its request, of the economies that could be obtained by consolidation or unification, and the details of the 5,000 miles of abandonment, which was part of the proposal.

Hon. Mr. DANDURAND: And the \$75,000,000 saving also.

Mr. BIGGAR: That is the \$75,000,000 saving. That is Exhibit No. 49, and the details of the abandonments are Exhibit No. 50.

I have in my hand Exhibit No. 42, which the committee thought need not be printed. It is a long document. It is the report that Mr. Fairweather made on November 27, 1931, and revised on December 28, 1931, with regard to a

possible saving of \$56,000,000 on the basis of consolidation as he regarded at the date of that report. Would the committee like to have that report printed in order to be able to compare it with the statement of the \$75,000,000 saving?

Hon. Mr. ROBINSON: It is pretty bulky.

Mr. BIGGAR: It will take between 15 and 20 pages. I fancy it will be quite frequently referred to in the evidence which the committee will have to hear. Would you like it printed?

The CHAIRMAN (Hon. Mr. Beaubien): You have not got it in the form of a table?

Mr. BIGGAR: It is a statement with exhibits.

Hon. Mr. ROBINSON: If there is a feeling that one should go in, one should go in.

Mr. BIGGAR: I fancy they will both be referred to. That is why I am asking instructions on this point.

Hon. Mr. DANDURAND: Mr. Fairweather dilated upon this statement.

The CHAIRMAN (Right Hon. Mr. Graham): It is a big statement, and the committee thought it should be filed and not printed. After hearing Mr. Biggar, I am not as sure as I was. This is a pretty big matter, and if the members of the committee think the statement ought to be printed, I would say they would have some reason for thinking so.

Mr. BIGGAR: Yes. The reason I mention it now is that it will be available on Tuesday if the direction is given now.

Hon. Mr. MURDOCK: If it is going to be referred to frequently, I think we should have it before us.

The CHAIRMAN (Right Hon. Mr. Graham): What are your views, gentlemen?

Mr. BIGGAR: I suggest that it is difficult to understand the whole situation without having that before you.

Hon. Mr. CALDER: Personally, I cannot conceive of what is going to happen in connection with our inquiry. I cannot understand what we are attempting to arrive at. We have had a great deal of evidence and discussion with regard to co-operation. Now, it seems to me that there is not a man around these tables who does not understand now what has happened. Co-operation to a very large extent has failed. I think we all know the reasons why, and I cannot conceive what benefit we are going to get from any further discussion of that aspect of the question unless there is some conflict between the evidence of the Canadian National and the Canadian Pacific authorities. That should be cleared up. They both made estimates. They both must admit that they are only estimates and probably contain gross errors, unintentional errors. But they deal with involved questions, and after all, they are only estimates. As an illustration, we have some eight different projects that were not included in the original project at all but which were proceeded with and solved. What strikes me is this, that we are going to get nowhere if we proceed with this end of the inquiry first.

Mr. BIGGAR: This document has nothing to do with co-operation; it deals solely with unification or consolidation.

Hon. Mr. CALDER: Oh, well—

Hon. Mr. SHARPE: Mr. Fairweather said we could not depend on either of them.

Hon. Mr. CALDER: I imagine we may deal with it for a short time, but that we will end just where we did with the co-operative estimates.

[Mr. John E. Armstrong.]

The CHAIRMAN (Right Hon. Mr. Graham): Do you not think we should have everything before us which would enable us to listen intelligently to what we hear as to unification or whatever else comes before us?

Hon. Mr. CALDER: That is quite right, but I doubt that we should go through these estimates so fully. I think that what we have done up to now is quite right, but my own view is now, so far as the co-operative end is concerned, that we grasp it fully.

The CHAIRMAN (Hon. Mr. Beaubien): That is finished.

Hon. Mr. CALDER: There is only one aspect that I would like to see cleared up, and that is the question of whether there is any difference of opinion between the two sets of officials as to what has happened.

Right Hon. Mr. MEIGHEN: That is what he has been giving us.

Hon. Mr. CALDER: Outside of that we can drop co-operation and deal in the most general way with unification. The important evidence, it seems to me, will be with regard to unification, what it means, what it does, what will be the results.

The CHAIRMAN (Right Hon. Mr. Graham): I think that is really what we have in mind. Those who have been advocating unification will be here.

Mr. BIGGAR: That is the idea.

The CHAIRMAN (Right Hon. Mr. Graham): If the committee agrees, I would be in favour of putting this on record so that if it is referred to in future we will have both sides before us.

The Committee adjourned until Tuesday, May 24, at 10.30 a.m.

EXHIBIT No. 42

Submission to the Royal Commission on Transportation by Mr. S. W. Fairweather, Director, Bureau of Economics, C.N.Rys. on Consolidation of Canadian Pacific and Canadian National Railways.

NOTE: This report was completed November 27, 1931. There are a few minor revisions in the figures, which revisions were made December 28, 1931.

(The maps and chart referred to herein as Exhibits 4, 7, sheets 3 and 4 of Exhibit 10, and Exhibit 13 are not reproduced).

CONSOLIDATION OF CANADIAN PACIFIC RAILWAY AND CANADIAN NATIONAL RAILWAYS

The purpose of this study is to develop in a broad way the economies which might be expected to result from a consolidation of the properties of the Canadian National and the Canadian Pacific Railways. The railway problem of Canada has been brought forcibly to public attention by the current depression and there has been much uninformed talk and speculation on the subject of consolidation with very little factual background. If large economies can be found in rationalization of the railway industry, these economies should be effected because cheap railway transportation is the keystone of the productive economy of Canada.

In approaching the problem of consolidation of the two railway systems, it must not be forgotten that these are abnormal times. Conclusions based on the present volume of traffic might be seriously in error when traffic recovers to normal proportions, which may be anticipated with the recovery of general business; therefore two situations will be studied, one the economies from consolidation based on 1931 performances, and the other economies based on a volume of traffic in line with trends established by past performance.

The economies which can be foreseen as a result of consolidation are undoubtedly large,—proportionately larger perhaps in Canada than in most other countries because time has not as yet justified the duplication of Canadian railway facilities by providing a compensating increase in population and traffic density. Much of the economy anticipated from consolidation can, however, only be effected by the resolute facing of a situation which requires sacrifices individually and collectively; for the economy, if it is to reach large proportions, will involve drastic abandonments of line, reduction in quantity and quality of service, particularly passenger service, and a considerable disturbance of the railway labour and material market. Canada must also be prepared to accept the risk attendant upon monopoly,—the possibility of inadequate service, of inefficiency, of carelessness, and of political difficulties arising from the creation of a large group with a common interest.

Opportunities for effecting savings as a result of consolidation may be grouped as follows:

- General Overhead Expenses
- Readjustment of tariffs and traffic
- Traffic solicitation and advertising
- Operating economies—freight and passenger
- Purchases and Stores
- Accountancy and Statistics
- Hotels
- Express
- Telegraphs
- Other Subsidiaries
- Economic value of Released Materials

The effect of consolidation has been studied under each of these headings using as a basis the reported accounts and statistics of the Canadian National and Canadian Pacific Railways, supplemented by special information when necessary.

As a result of this study the following conclusions have been reached:—

1. On the basis of 1931 volume of traffic the anticipated economy from consolidation at the present level of prices and wages would reach the sum of \$49,000,000 per year.
2. This economy could not be immediately effected and the figure represents what might be realized after a period of adjustment which is tentatively set at 5 years.
3. On the basis of a volume of traffic in line with general trends substantially 30 per cent above the traffic of 1931, the anticipated economy from consolidation would reach the sum of \$55,000,000 per year.
4. In addition to the improved financial result indicated above arising from readjustment of traffic and of operating conditions, there would be constructive betterment arising from the release of materials and equipment which would materially reduce capital requirements for a period of years. The capital value of this released material, allowing for salvage costs would be \$48,000,000 and the interest upon that sum at 3 per cent amounts to \$1,500,000 per year.

The sub-division of the problem under eleven headings as set forth above presents a convenient grouping of the possible economies. Despite the fact that these sub-divisions do not in all cases agree with the standard accounts, this arrangement was chosen because of its greater convenience and clarity. An approximate re-distribution of the prospective savings in accordance with the standard division of accounts will be found in Exhibit 1. Hereunder is given an itemized schedule of the economies on the two bases previously mentioned. In the following detail analysis the figures relate to 1931 operating conditions unless otherwise noted in the text:—

	Basis 1931 Traffic	Normal Traffic Basis
General Overhead Expenses	\$ 1,020,000	\$ 1,020,000
Readjustment of tariffs and traffic	5,420,000	6,540,000
Traffic solicitation and advertising	6,800,000	6,800,000
Operating economies—freight and passenger	26,050,000	30,770,000
Purchases and Stores	2,500,000	2,500,000
Accountancy and Statistics	500,000	500,000
Hotels	4,500,000	4,500,000
Express	500,000	600,000
Telegraphs	600,000	700,000
Other Subsidiaries	700,000	800,000
Total	\$48,590,000	\$54,730,000
Economic value of released material	1,500,000	1,500,000
Grand Total	\$50,090,000	\$56,230,000

1. General Overhead Expenses.

Naturally the first economy to be expected from consolidation would be one of general overhead expense, which, for the purpose of this problem, is defined as the cost of direction and of system executive supervision. The following sub-divisions of general overhead expense have been examined:

- Directors' fees and expenses
- General officers' pay and expenses
- Clerks and Attendants
- Office rent
- Office supplies

The main directorate of the Canadian National Railways consist of 17 men drawing approximately \$44,000 in fees and expenses. The Canadian Pacific main directorate consists of 17 men, but the extent of their fees and expenses is not available. In addition to the main directorate there are directors of subsidiary companies in the Canadian National, 108 such companies existing, exclusive of 14 companies jointly owned with other railways, and the number of individuals on the directorate, other than those who are directors of the main company, amounts to 95 people, but their fees and expenses do not amount to over \$4,000 per annum. No doubt the C.P.R. subsidiary companies would present a similar picture. There would appear to be an excellent opportunity for simplification of directorates. Doubtless all of the expenses of the main directorate of the Canadian National and of at least two-thirds of the directory expenses of subsidiary companies could be eliminated. This would amount to approximately \$50,000 per year.

Under this heading are grouped the President, Vice Presidents, Secretary, Registrar, Treasurer and the system technical advisory staff. Exhibit 2 sets forth a list of positions in each company. Altogether there appear to be 32 positions in which there is a duplication of functions, and were it not for the fact that the consolidation would create a system of such magnitude as to be almost unwieldy, one-half of these duplicating positions could be abandoned. The estimated saving in salary and expense would, in that event, approximate \$100,000. However, so unwieldy would be the consolidated system that in all probability it would be necessary to retain some of the apparently duplicating positions or alternatively to raise the standard of the position and supplement with subordinate technical staff. For instance, with such a huge system it might well be desirable to departmentalize the general executive control instead of centralizing it under a single President. A natural sub-division would be legal and finance on the one hand, and operation and traffic on the other, or, in main operation, a sub-division of the general operating authority might be made into matters of current operation on the one hand, and budgeting and planning on the other. Having regard to these considerations it is not anticipated that the net economies would exceed sixty per cent of those indicated by apparent duplication. This would amount to \$350,000 per year.

Under this heading are grouped the salaries and expenses of subordinate technical assistants, heads of system sub-departments and clerks. A schedule of the expense falling under this classification is shown for each railway in Exhibit 3. This exhibit shows that the combined expense of the two railways amounts to approximately \$5,500,000 per year. In looking for economies under this heading it must be kept in mind that generally speaking the number of clerks is closely adjusted to the amount of work which is to be done and therefore economies will result more from a reduction in the problems requiring attention rather than the more efficient carrying on of work. A considerable portion of the activities under this heading relate to dealings between the two railway systems and on that score economies may be effected. Having regard to this feature and to the expectation of a lessened total operating expense amounting to possibly \$30,000,000 per year with consequent reduction in supervision, it is anticipated that the economies under this heading would amount to approximately \$500,000.

Office rent is a comparatively minor item in the total. A consolidation with consequent reduction in headquarters' staff would reduce to some extent the office space required. The economies previously mentioned would represent approximately 200 people and at the allowance of 100 square feet of office space per person, the released office space would amount to approximately 20,000 square feet, which at an average price of \$1 per square foot would amount to \$20,000 in total.

Office supplies for headquarters' staff is also a minor item; it is intended to include furniture, office fittings, typewriters, calculating machines, etc. The approximate expense of these items to the Canadian National for system headquarters is \$255,000 per year; and having regard to this and the probability that the Canadian Pacific expense is in proportion, a yearly economy of \$100,000 is anticipated.

II. READJUSTMENT OF TARIFFS AND TRAFFIC

Under this general heading will be discussed the effect of consolidation upon traffic in so far as such readjustment would affect the revenue accounts.

The first item to be considered is the rerouting of foreign interchange traffic to lengthen system haul. The Canadian Pacific and Canadian National Railways have in the past each favoured certain foreign lines, these foreign lines being chosen so as to yield the maximum traffic benefit. Thus, the Canadian Pacific Railway favours the Boston & Maine in Quebec Front connections, and the Michigan Central at the Detroit gateway. The Canadian National possessing the Central Vermont and the Grand Trunk Western Lines manages to retain control of the traffic for a considerable distance into the United States. The Canadian Pacific also have United States affiliations in the territory west of Chicago. Exhibit 4 is a map showing the United States gateways of the two systems and the connecting roads. It is quite apparent from this exhibit that much could be done in case of consolidation in routing traffic so as to considerably lengthen the system haul. This is particularly true of traffic between central Canada and points in New England and Central United States, and traffic between Western Canada and Central United States. Exhibit 4 in addition to showing the gateways, also shows the suggested rerouting of traffic. From a detailed knowledge of the traffic moving on the United States lines of the Canadian National, it is anticipated that consolidation would increase the freight revenues of the combined system by \$5,400,000 with offsetting increase of 411,000,000 revenue ton miles, as shown in Exhibit 5. Paralleling the freight situation there is the competitive passenger situation. Exhibit 7 shows the passenger connections of each railway between important Canadian and United States points. Under consolidation it would be quite feasible to readjust this service to the benefit of the combined system resulting in estimated increase gross of \$1,170,000 as shown in Exhibit 6. These items of increased gross revenue would, of course, carry with them increased operating expenses; these on a direct out-of-pocket basis are estimated to amount to \$3,250,000 for both freight and passenger, leaving an increase in the system net of \$3,320,000.

Allied to the rerouting of foreign interchange traffic is the question of readjustment of interline divisions. At present the division of any freight rate between a foreign railway and either the Canadian National or the Canadian Pacific is a matter of negotiation between the parties and since most of this traffic is moving to or from competitive points in Canada, it is obvious that the basis of divisions is influenced by competition between the Canadian Pacific and the Canadian National. Under consolidated operation this competition would be eliminated. The volume of the traffic interchanged by the Canadian Pacific and Canadian National Railways with United States roads other than their own subsidiaries, amounts to approximately \$50,000,000 per year. It is anticipated that ultimately the basis of division could be readjusted to yield an increase of approximately five per cent, which would amount to \$2,500,000 per year.

The eager competition for freight between the two railways has led to certain uneconomic practices with relation to the fostering of L.C.L. consolidation. Under unified operation the competitive incentive to such practices would be removed with beneficial effect upon the net income estimated at \$1,000,000.

This is a debit item and would be a necessary result of consolidation. Traffic interchanged between the two railways moves on a rate basis generally somewhat higher than the rate which would have been in effect had the traffic moved completely over one or the other system. The amount of the surcharge is indeterminate, but approximates 5 per cent. The total volume of this traffic in a normal year amounts to \$5,000,000 and applying the percentage as mentioned to this figure a debit to gross revenue of \$250,000 would result. On the basis of 1931 traffic it might be \$200,000.

As intimated in the introduction, if major economies are to be effected as a result of consolidation, considerable line abandonment and reduction of transportation service must be effected. In most cases where abandonments have been recommended, the railways have a practical monopoly upon the traffic. In other cases, however, there is highway competition and the reduction of service could be followed directly by some reduction in traffic. Moreover, even where a complete monopoly does exist, it is quite clear that the line abandonments will, in almost every case, carry with them some reduction in commercial opportunity. The approximate station earnings which would be effected on lines recommended for abandonment amount to \$3,000,000 per year. The amount of this traffic which would be totally lost is estimated at \$300,000.

III—TRAFFIC SOLICITATION AND ADVERTISING

The next main sub-division is the expense of traffic solicitation and advertising. This is a field in which large economies would be effected. It is the field where duplication of activities on a competitive basis is an added expense with very little off-setting compensation to the public.

The first item to be considered is superintendence, by which is meant the salary and expense of executive and supervisory officers other than the Vice President. The combined expense of the two railways under this heading amounts to approximately \$3,500,000 per year—see Exhibit 23. Having regard to the fact that under consolidated operation the traffic solicitation and advertising would be comparatively simple, it is estimated that this item could be reduced by 40 per cent, resulting in an economy of \$1,400,000.

Under the heading of "Agencies" comes most of the detail expense of soliciting traffic. The combined expense for the two railways amounts to \$200,000 per year. Drastic economies could be effected in this field. Exhibit 24 shows the number of off-line freight and passenger officers in foreign countries. In addition to this, every Canadian city has a staff of freight and passenger agents and solicitors. It is recognized that certain activities of the consolidated company would be highly competitive with other transportation agencies, either foreign railways, steamboat lines, or the highway, therefore traffic solicitation could be completely eliminated, and further, traffic agencies in addition to solicitation could render an important service to the public, a service which the public is entitled to, but it is undoubtedly true that at present, much of the activity of solicitation forces of the two railways is directed to direct competition, and it is estimated that with the emphasis on service rather than solicitation, an economy of \$3,000,000 per year could be effected.

What has been said of agencies is even more true of advertising, which for the purposes of this study will also include the cost of radio. The combined expense of the two railways amounts to \$4,800,000. Advertising by Canadian railways in foreign countries is, of course, highly desirable as it influences both freight and passenger business. Moreover, a considerable portion of the adver-

tising consists of necessary service advertising with regard to train schedule etc. It is anticipated economies would amount to \$2,000,000 per year.

The two railways spend \$250,000 on traffic association; this under consolidation might be reduced by \$100,000.

Both railways carry on industrial and colonization activities, the expense which amounts to \$800,000 per year (Exhibit 23). Under combined operation one department would be sufficient which would effect an economy of \$300,000.

IV—OPERATING ECONOMIES—FREIGHT AND PASSENGER

The next main sub-division is operating economy and considerable reduction could be effected.

Reduction of system supervision has already been considered; but regional district and division supervision also presents a considerable field for further economy. The Canadian National is divided into two main regions—Central and Western, and two smaller territories, Eastern Lines and the Grand Trunk Western Lines. The Canadian Pacific Railway is divided into Eastern and Western Lines, and a number of separately operated railways both in the United States and in Canada. Exhibit 9 shows the division of the properties of the respective railways for purposes of supervision. Under a consolidated condition it would appear possible to have but three main regions, Eastern and Western in Canada, and all Lines in the United States. This would effect considerable economy which it is estimated would amount to \$200,000 per year. Supervisory district economies would also amount to a considerable figure. Exhibit 9 shows the mileage under each district of the Canadian National and Canadian Pacific Railways as at present constituted. This exhibit shows considerable variation in mileage. Generally speaking, the size of a district is less dependent upon the mileage than on the geographical distribution of the territory about the district headquarters. It would be quite feasible to consolidate these 18 districts as at present into 9 districts in the consolidated company, with a resultant economy of \$350,000.

There are undoubtedly large opportunities for reduction of supervisory cost on divisions. The railways of Canada are so far flung that divisions have been organized upon the basis of accessibility rather than volume of transportation. Exhibit 9 shows the mileage and location of divisional headquarters of the divisions of the Canadian Pacific and Canadian National. The wide diversity in importance of these divisions is at once apparent. The consolidation of the two systems would permit of increasing the mileage of many of the divisions without decreasing the accessibility to any considerable extent. It is proposed that the 74 divisions of the Canadian Pacific and Canadian National should be re-organized into 50 divisions. The economies resulting therefrom would amount to approximately \$600,000.

The abandonment of duplicating lines constitutes one of the major economies possible as a result of consolidation. Occasion may also be taken for abandonment of thin traffic lines with a view to further increasing the average traffic density of the system. The line abandonments contemplated in this study are shown in detail on Exhibit 10. They are comprised as follows:—

	Miles
Duplicating Main Line.. . . .	1,115
Duplicating Branch Lines.. . . .	1,035
Thin Traffic Lines.. . . .	284
Total.. . . .	2,434

The economy to be anticipated from these abandonments is estimated at \$3,950,000 per year and consists mostly of that portion of the maintenance way and structures which is independent of use, together with the cost

keleton train service on thin traffic lines (Exhibit 11). An adjustment for the value of traffic lost by reason of line abandonments has already been made in dealing with traffic features of the consolidation.

The rerouting of main line traffic as a result of the consolidation presents some possibility for economy, but generally speaking the analysis of comparative operating conditions shows that no considerable out of line haul on the main line of either railway could be justified by improved operating conditions on the alternative main line. The chief opportunities for economies under this heading are:

Use of C.N.R. as freight line Kamloops to Vancouver.

Routing of traffic from Northern Alberta and Saskatchewan to and from Vancouver via Yellow Head Pass C.N.R.

Reduction of branch line haul to main line in Western Canada.

Reclassification of main lines.

The detail analysis of these various proposals will be found in Exhibit 12. The anticipated economy totals \$1,500,000.

Advantage might be taken of the virtual monopoly of Canadian railway transportation to revise the minimum carload requirements. This would need to be done cautiously and the principle adopted of varying the minimum carload with the length of haul should be adopted. This procedure would be necessary because the railway no longer enjoys a monopoly of short haul transport and must adapt its carload requirements to competitive conditions. Nevertheless a considerable opportunity for economy exists in the long haul field. The average carload at the present time is 22.4 tons although the average car capacity is 38 tons. Raising of the carload five per cent should not be possible. Exhibit 13 shows the trend of car loadings in the U.S. over a period of years and clearly demonstrates that under the U.S. Railroad Administration it was possible to raise the car lading to a marked degree. The objective aimed at this time is far less than that obtained by the U.S. Railroad Administration, nevertheless it would represent a large economy. The detail calculation of this economy is shown in Exhibit 14 and it is estimated that on the basis of 1931 the economy would reach \$4,000,000 per year.

Enjoying practical monopoly of rail transportation, the consolidated system could be able to materially increase the average train loading by moving loads on the basis of the most economical train load rather than by giving consideration to delivery time, which latter is a prime factor under competitive operation. Again, it must be pointed out that in the short haul field this policy could not be followed owing to motor truck competition and the same is true of certain specialized and highly competitive international traffic. It is not contemplated that heavier locomotives would be used to achieve the greater train loading, but simply that the existing locomotives be loaded closer to their potential capacity. The average performance of the Canadian National and Canadian Pacific Railways, expressed as a percentage of the tonnage actually moved to that which would have been moved, or in other words, the ratio to potential is as follows:

Freight Train Performance in the Direction of Traffic:—

	C.N.R.	C.P.R.
Average gross tons per train.. . . .	1,557	1,541
Average Net Tons per Train.. . . .	748	753
Percent gross to potential.. . . .	70.3%	80.8%

The basis of calculating the gross to potential is not identical on the two systems and they are, therefore, not strictly comparable. However, under conditions of virtual monopoly, it should not be impossible to materially increase the figure of gross to potential, and for the purpose of this study an improvement—

ment of five per cent is aimed at. In arriving at this figure, due regard has been had to the necessity of maintaining a high speed service on such traffic which is competitive with the United States Railways. This consists chiefly of traffic moving to and from Chicago and the eastern seaboard. The effect of this increase of five per cent in gross to potential would be to reduce operating expenses on the basis of 1931 traffic by some \$2,200,000. The details of the calculation will be found in Exhibit 15.

There is an opportunity for economy in the operation of large freight terminals. As in the case of passenger terminals to be dealt with later, the full economy as a result of consolidation could not be realized without the expenditure of considerable capital in rearrangement of facilities. Some immediate economy may be effected in switching costs and in the carrying on of auxiliary services such as rip tracks, water and coal supply, and a further gain might be expected as a result of the elimination of switching interchange. Large freight terminals exist at the following points: St. John, N.B., Quebec, Montreal, Ottawa, Toronto, Hamilton, London, Windsor, Port Arthur and Fort William, Winnipeg, Regina, Saskatoon, Edmonton, Calgary and Vancouver. The total yearly cost of operation of these freight terminals to the two railways approximates \$30,000,000. It is anticipated that about \$2,000,000 per year could be saved without additional capital expenditure. It might be pointed out that the modernizing of freight terminals would be a very remunerative field for added capital. \$10,000,000 or \$15,000,000 expended in terminal facilities for the consolidated system would yield a return of at least twenty per cent per annum.

The Canadian National and Canadian Pacific Railways have each a number of locomotive and car shops, the location of which, and the normal number of employees being as follows:—

Canadian National			Canadian Pacific		
		Employees			Employees
Moncton	L & C.....	1,294	McAdam	L & C.....	171
St. Malo	L & C.....	475	Montreal	L & C.....	6,028
Montreal	L & C.....	2,617	Carleton Place	L.....	72
Leaside	C.....	336	West Toronto	L & C.....	433
London	C.....	710	North Bay	L & C.....	243
Stratford	L.....	1,031	Winnipeg	L & C.....	2,102
Fort Rouge	L & C.....	1,998	Calgary	L & C.....	1,149
Transcona	L & C.....	2,139	Vancouver	L & C.....	244
Edmonton	L & C.....	404	Lyndonville	L & C.....	109
Battle Creek	L.....	429			
Port Huron	C.....	443			
St. Albans	L & C.....	450			
Total		12,296	Total		10,551

Purely from the standpoint of efficiency, car and locomotive repairs should be concentrated in the larger and more efficient shops. Owing to international complications it will not be possible to consolidate the shops in the United States lines, but the work in Canada could be concentrated at Montreal, Winnipeg and Calgary. This would involve the closing of shops at other points with a consequent reduction in overhead expenses and a reduction of repair costs by full application of the principle of mass production. By this method it is anticipated that an economy of \$4,000,000 per year might be effected. Details of the calculation being found in Exhibit 16.

Under consolidated operation drastic cuts could be made in intercity transcontinental passenger service. It is true the travelling public would suffer some inconvenience, but it is anticipated that 3,500,000 passenger train miles could be eliminated without reducing to any considerable degree the effectiveness of the railway service. This reduction in train mileage would represent an economy of \$4,500,000 per year. Details of the proposed rearrangement and curtailment of services are found in Exhibit 17. It should be noted

lastic cuts have already been made in C.N.R. train service and this item should be discounted. Further possibilities may exist in the substitution of unit cars for steam trains. This could not be accomplished without considerable capital expenditure and has not been considered at this time.

There are 249 points in Canada common to both the Canadian Pacific and Canadian National Railways. Of these points 29 are joint stations; the balance represent opportunities for unification and consolidation. Of this number the larger points are:—

Montreal
Smith Falls
North Bay
Hamilton
London
Winnipeg
Fort William

Port Arthur
Saskatoon
Edmonton
Calgary
Vancouver
Victoria, B.C.

Considerable economy could be effected at these points by joint operation, but the majority of cases this would lead to large capital expenditures and each case requires careful detail study. It should be possible to consolidate without very large expenditures in the following major points:—

Hamilton
London, Ont.
Saskatoon

Calgary
Edmonton

and the economies resulting therefrom would amount to approximately \$200,000. The remaining 235 points where there are two stations it would not be feasible in many cases to make the track re-arrangement necessary to consolidate all movements into one station, but it should however be possible to consolidate into one station all ticketing and billing, and reduce the use of the maining station to the bare essentials necessary for the accommodation of office. In this manner an immediate economy of approximately \$450,000 could be effected, which, combined with the amount of \$200,000, would represent an annual saving of \$650,000. In the larger terminals further rearrangement would involve substantial capital additions and would therefore be delayed some time.

The spirit of competition has led to the provision of luxury service, especially on the passenger trains. This has taken the form of expensive equipment, the neglect of upper berths in sleepers, and the provision of a very high-class dining service, which latter item alone cost the railway \$4,700,000 in 1930 out of receipts of \$3,000,000. Both railways have been prompted to the provision of this high-class service by competitive conditions. With this incentive removed, one of two things could be accomplished. Either rates could be obtained commensurate with the value of the service rendered, or alternatively the service could be reduced commensurate with the amount paid. In either case a net economy of about \$2,000,000 per year might be anticipated.

A stricter supervision in loss and damage claims and the elimination of competitive factor in making settlements should effect substantial economies. The Canadian National and Canadian Pacific Railways have paid out in loss and damage claims in 1930 an amount of \$1,600,000. Much of this damage is caused by wrecks; some by rough handling, and some by delayed delivery, it is not anticipated that consolidation would materially reduce these factors, on the other hand the necessity from a traffic point of view of making a reasonable settlement is ever present, and with this pressure removed it is anticipated that \$100,000 of economy might be anticipated.

V. PURCHASES AND STORES

The cost of purchasing and the cost of storing materials is not revealed in the standard system of railway accounting. These costs are distributed to the various material accounts in the form of a surcharge. Consolidation would permit of substantial economies in both the cost of purchasing and the cost of storing materials. This economy, in so far as it would result in staff reduction, has been dealt with under the heading of "General Officers Pay and Expenses and Clerks and Attendants."

Further substantial economy might be effected by the standardization of materials and the reduction of stores stocks. Materials and supplies account for the two railways approximates \$67,000,000 and after a period of adjustment there would seem no good reason why this should not be reduced by \$15,000,000. The out-of-pocket cost of carrying these materials, having regard to interest, warehousing cost and depreciation would not be far short of nine per cent per annum and on this basis an economy of \$1,500,000 is indicated. Exhibit 1 shows the comparative situation regarding materials and supplies of various large railway systems and notwithstanding peculiar climatic and geographical circumstances attached to Canadian railways, the above mentioned reduction is considered feasible.

The possession of a virtual monopoly in railway transportation would practically eliminate the pressure placed upon the railways to give consideration to traffic features in placing orders. This is a very difficult feature to estimate and it is not felt that either the Canadian National or Canadian Pacific Railways have purchased disadvantageously by reason of traffic affiliation to any considerable extent. An absolutely untrammelled purchasing policy would, however, probably result in some economies, especially when consideration is given to the fact that consolidated purchases could be budgeted in favourable quantities to a greater degree than is now possible individually. The material purchases of the two railways in 1930 approximated \$140,000,000 and it is anticipated that an economy of one-half of one per cent would be possible, resulting in \$700,000 per year.

The Canadian National Railways has enjoyed for a year or more, the full benefits of a systematized layout of printed forms and stationery and has effected large economies by this means, combined with a policy of buying paper in wholesale quantities and contracting separately for printing, binding and cutting. The printing and stationery expenses of the two railways in 1930 was \$2,300,000. Based on the results obtained by standardization and budgeting on the Canadian National, it is anticipated that an economy of \$300,000 per year could be effected as a result of consolidation.

VI. ACCOUNTS AND STATISTICS

The standard method of accounting does not show separately the cost of keeping accounts and statistics and the effect of reduction in supervisory staff following consolidation will be found under the heading of "Clerks and Attendants." However, in addition to this there should be substantial economies brought about by the elimination of accounting between the two railways on such items as the interchange of car equipment, revenue accounting, and accounting in connection with joint facilities and joint terminals. In addition, if occasion were taken to simplify the financial structure of the Canadian National and to centralize the accounting organization, further large economies would be possible. The whole is estimated at \$500,000.

VII. HOTELS

The Canadian National and Canadian Pacific Railways own twenty hotels and twelve summer resorts. In addition they are financially interested in a number of other hotels and resort enterprises. In the former case the hotels and resorts are operated as departments of the railway, in the latter case they are separately operated. The investment in owned hotels and resorts approximates \$95,000,000 and the investments in affiliated properties approximates \$8,000,000. It cannot be said that these hotel ventures have been profitable in themselves however necessary they may have appeared from the point of view of larger policy. In dealing with this situation under consolidated conditions, it is quite possible that the most desirable procedure would be to dispose of the hotel properties to a private syndicate at the best price they would fetch. Under consolidated conditions the chief competitive incentive for operation of hotels by the railways would be gone. It is true that from the larger point of view a chain of first-class hotels is desirable, but this chain is now in existence and it would be purely a matter of whether or not a consolidated company could operate the hotels to yield substantial net, or whether, on the other hand, it would not be the part of wisdom to turn them over as suggested, thereby releasing capital for more remunerative employment. Under existing conditions the hotels are operated on a high standard and cannot be said to be profitable in themselves. It is doubtful if, under railway control they could ever be made to yield a substantial net, because the emphasis would always be upon the service rather than upon cost. The operation of a chain of hotels is a specialized type of business foreign in character to railway management and therefore it is only natural to expect that specialized operation would improve the net showing. In negotiating a sale to a syndicate, it would be necessary to establish a reasonable financial set up. The capital investment would necessarily have to be scaled down somewhat to ensure profitable operation and a considerable degree of the railways' equity would have to be in the form of common stock. A tentative financial set up is as follows:

Security	Total Amount	Ry. Portion
1st Mortgage Bonds..	\$45,000,000	\$45,000,000
2nd Mortgage Bonds..	25,000,000	12,500,000
Preferred stock..	15,000,000	5,000,000
Common stock—500,000 shares..	No par value	200,000

In the liquidation of the bonds should not present serious difficulty once the present depression is over and might be expected to yield at least \$50,000,000 in cash, which might be further enlarged by sale of the preferred and common stock at later intervals. At the best, this capital presently invested in the hotels does not yield more than one per cent; on the other hand, invested in more remunerative improvements to the railway system, it should earn at least one per cent. The difference represents a net economy of \$4,500,000 per year.

Occasion might also be taken to gradually liquidate the security holdings in separately operated hotels, but no credit is taken for the feature.

VIII. EXPRESS COMPANY

Each railway company operates an express service on its Canadian lines. In the case of the Canadian National, the express traffic is handled as a department of the railway and gross revenues are included as part of the net gross. In the case of the Canadian Pacific the accounting is through a subsidiary organization which pays express privileges to the railway, and gross revenues and expenses are included under miscellaneous operations of the system. In either case, in the final analysis the effect of the Express Com-

pany operations is reflected in the net income. Economies as a result of consolidation would largely consist of curtailment of supervision and general overhead, consolidation of outside agencies or offices in the larger centres, and of station service in the smaller centres. The scope of these possible economies is set forth in exhibit 19 and it is estimated that they would amount to \$500,000 per year.

IX—TELEGRAPHS

The commercial telegraph operation of the two systems is somewhat similar to the express, and considerable economy would result from consolidation. It is estimated that the economy would amount to \$600,000 per year, details to be found in Exhibit 20.

X—OTHER SUBSIDIARIES

Both railway companies carry on miscellaneous operations such as warehouses, terminal trucking companies, coal mines, coastal steamships, etc. There is a field here for considerable economy. For instance, operations of the Railway and River Coal Company might be expanded to provide for both C.P.R. and C.N.R. requirements (Exhibit 21). This in itself would make for considerable economy by the reduction in mine operating unit costs estimated at \$200,000 per year. Again, the consolidation of the lake and coastal steamship of the two companies would effect considerable saving in supervision and would probably make available free capital by the disposal of boats, even at depreciated prices. It is not too much to expect that ultimately an economy of \$500,000 per year would result.

XI—ECONOMIC VALUE OF RELEASED MATERIAL

The abandonment of line, the curtailing of train service, the improvement of train performance, and the consolidation of shop operation would release large quantities of track and bridge material, and would result in a considerable surplus of freight and passenger cars, locomotives and shop machinery. It is not anticipated that surplus stocks could be disposed of for cash, but the surplus of material would have a value equivalent to a large sum of money annually because it could be used to defer investment of new funds in capital expenditure. A classified estimate of the released material will be found in Exhibit 22 which indicates a total value less salvage of \$48,000,000. Even allowing for warehousing expense and depreciation until put to active use, the capital should have a net value of \$1,500,000 per year.

The analysis under the aforementioned head must not be taken as exhaustive, but rather as indicative. The actual working out of a program of consolidation would require the employment of the technical staffs of the railways for a number of years before the opportunities would be exhausted. The conclusions arrived at are largely drawn from the experience gained in the consolidation of the properties of the Canadian National System, and in the connection it might be mentioned that the Canadian National problem was dealt with under the stimulus of competitive conditions; whether with this incentive lacking the economies mentioned herein could be effected, is to a certain degree questionable. The program is predicated upon a docile or practically helpless public, and an equally docile or helpless staff of employees.

For convenience the conclusions are recapitulated hereunder:—

1. On the basis of 1931 volume of traffic the anticipated economy from consolidation at the present level of prices and wages would reach a sum of \$50,000,000 per year.

2. This economy could not be immediately effected and the figure represents what might be realized after a period of adjustment which is tentatively set at 5 years.
3. On the basis of a volume of traffic in line with general trends substantially 30 per cent above the traffic of 1931, the anticipated economy from consolidation would reach the sum of \$55,000,000 per year.
4. In addition to the improved financial result indicated above arising from readjustment of traffic and of operating conditions, there would be a constructive betterment arising from the release of materials and equipment which would materially reduce capital requirements for a period of years. The capital value of this released material, allowing for salvage costs would be \$48,000,000 and the interest upon that sum at 3 per cent amounts to \$1,500,000 per year.

EXHIBIT 1

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Recapitulation of Economies

NOTE: Re distribution of Economies in accordance with Standard Classification of Accounts is shown Sheet 3 of Exhibit 1.

	1931	Normal
	\$	\$
I. General Overhead Expense—		
Directors' fees and expenses.....	50,000	50,000
General Officers' pay and expenses.....	350,000	350,000
Clerks and Attendants.....	500,000	500,000
Office Rent.....	20,000	20,000
Office Supplies.....	100,000	100,000
Total General Overhead Expense.....	1,020,000	1,020,000
II. Re-Adjustment of Tariffs and Traffic—		
Re-routing of foreign interline traffic to lengthen System haul.....	3,320,000	4,000,000
Re-adjustment of interline divisions.....	2,500,000	3,000,000
Cancellation of Agreements with carload Consolidating Cos.....	100,000	120,000
Revision of C.N.R. and C.P.R. interline rate structure.....	200,000 Dr.	230,000 D
Traffic loss by line abandonment.....	300,000 Dr.	350,000 D
Total Re-adjustment of Tariffs and Traffic.....	5,420,000	6,540,000
III. Traffic Solicitation and Advertising—		
Superintendence.....	1,400,000	1,400,000
Agencies.....	3,000,000	3,000,000
Advertising.....	2,000,000	2,000,000
Traffic Associations.....	100,000	100,000
Industrial and Colonization.....	300,000	300,000
Total Traffic Solicitation and Advertising.....	6,800,000	6,800,000
IV. Operating Economies—Freight and Passenger—		
Regional Supervision.....	200,000	200,000
District Supervision.....	350,000	350,000
Division Supervision.....	600,000	600,000
Line abandonments.....	3,950,000	4,300,000
Re-routing main line traffic.....	1,500,000	1,800,000
Increased car loading.....	4,000,000	4,800,000
Increased train loading.....	2,200,000	2,700,000
Large freight terminals.....	2,000,000	2,500,000
Consolidation of main shops.....	4,000,000	4,800,000
Inter-city and transcontinental passenger service.....	4,500,000	5,400,000
Station service.....	650,000	800,000
Luxury service.....	2,000,000	2,400,000
Loss and Damage claims.....	100,000	120,000
Total Operating Economies—Freight and Passenger.....	26,050,000	30,770,000
V. Purchases and Stores—		
Reduction in Stores' Stocks.....	1,500,000	1,500,000
Purchasing Policy.....	700,000	700,000
Stationery and Printing.....	300,000	300,000
Total Purchases and Stores.....	2,500,000	2,500,000
VI. Accounts and Statistics.....	500,000	500,000
VII. Hotels.....	4,500,000	4,500,000
VIII. Express.....	500,000	600,000
IX. Telegraphs.....	600,000	700,000
X. Other Subsidiaries.....	700,000	800,000
Total.....	48,590,000	54,730,000
XI. Economic Value of Released Material.....	1,500,000	1,500,000
GRAND TOTAL.....	50,090,000	56,230,000

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Summary of Expected Savings by General Accounts

	Operating Expenses							Income Account Items	Grand Total
	Maintenance of Way and Structures	Maintenance of Equipment	Traffic	Transportation	Miscellaneous	General	Total		
	\$	\$	\$	\$	\$	\$	\$	\$	\$
General Overhead Expense.....						1,020,000	1,020,000		1,020,000
Re-adjustments of Tariffs and Traffic.....								5,420,000	5,420,000
Traffic Solicitation and Advertising.....			6,800,000				6,800,000		6,800,000
Operating Economies—									
Freight and Passenger	2,970,000	6,320,000		16,460,000			25,750,000	300,000	26,050,000
Purchases and Stores.....	166,000	201,000	150,000	423,000	7,000	53,000	1,000,000	1,500,000	2,500,000
Accountancy and Statistics.....						500,000	500,000		500,000
Hotels.....								4,500,000	4,500,000
Press.....				500,000			500,000		500,000
Telegraphs.....	100,000			500,000			600,000		600,000
Other Subsidiaries.....								700,000	700,000
Postal.....	3,236,000	6,521,000	6,950,000	17,883,000	7,000	1,573,000	36,170,000	12,420,000	48,590,000
Economic Value of Re-eased Material.....								1,500,000	1,500,000
Grand Total.....	3,236,000	6,521,000	6,950,000	17,883,000	7,000	1,573,000	36,170,000	13,920,000	50,090,000

EXHIBIT 2

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

General Officers and System Technical Advisory Staff

Position	C.N.R.	C.P.R.
Presidents.....	1	1
Vice-Presidents.....	7	6*
Secretarial.....	3	2
General Assistants.....	7	3
Legal.....	4	2
Operating.....	5	4
Travel and Sleeping.....	4	3
Accounting and Treasury.....	8	5
Miscellaneous.....	12	6

Duplicating Positions—32.

* Includes consulting counsel.

SPECIAL COMMITTEE

EXHIBIT 3

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Clerks and Attendants

	1926	1927	1928	1929	1930
	\$	\$	\$	\$	\$
Canadian National Railways.....	3,871,334	3,831,508	3,897,024	3,948,314	3,858,6
Canadian Pacific Railway.....	1,583,960	1,643,548	1,686,050	1,761,533	1,722,4
Total.....	5,455,294	5,475,056	5,583,074	5,709,847	5,581,0

EXHIBIT No. 4

Map showing U.S. Gateways of the Canadian National Rys. and the Canadian Pacific Ry. and their connecting railroads. (Not reproduced)

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Analysis on Interline Traffic to and from U.S.A. (Re-Routing Foreign Line Traffic to Lengthen System Haul)

SUMMARY OF ESTIMATED INCREASE IN NET EARNINGS AFTER OUT-OF-POCKET EXPENSE OF COMBINED SYSTEM, C.N.R. AND C.P.R.

Traffic	Estim- ated Tonnage	Estim- ated Gross Revenue	Net after Out-of-Pocket Coast		Net after Out-of-Pocket		% Participation of System		Combined System Net		Increase in Net	Increase in Revenue Ton Mls. 1000's
			Present Routing	Proposed Routing	Present Routing	Proposed Routing	Present Routing	Proposed Routing	Present Routing	Proposed Routing		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
New England States to and from Canada.....	172,000	628,800	319,700	307,500	309,100	321,300	50.6	56.3	156,400	180,900	24,500	— 2,236
Intransit—New England and Mid- dle West, U.S.....	135,775	339,400	.....	122,100	.....	217,300	.....	100.0	.....	217,300	217,300	22,403
Middle West, U.S. and Ontario and Quebec Pts.....	2,538,500	4,417,600	.....	2,145,600	.....	2,272,000	.....	100.0	.....	2,272,000	2,272,000	390,900
Total.....	2,846,275	5,385,800	.....	2,575,200	.....	2,810,600	.....	.....	156,400	2,670,200	2,513,800	411,067

SPECIAL COMMITTEE

EXHIBIT 6

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Estimated Increase in Gross Passenger Revenue on U.S. Lines

Total Passenger Revenue G.T.W. Lines, 1930.....	\$1,900,000
Other Passenger Train Revenues, 1930.....	900,000
	<hr/>
Estimated amount accruing from through traffic.....	\$2,800,000
A check made four years ago showed that the Canadian Pacific was doing about 55% of the international business of Canadian National.	1,800,000
Gross earnings would then amount to.....	990,000
Total Passenger train earnings of the C.V. Rly. ex milk in 1930 amounted to.....	1,200,000
It is estimated that 60% of this revenue accrues from through business and that the C.P.R. are handling nearly as much traffic as the C.N.R. Because there is only a slight balance in mileage in favour of the C.N.R. it is estimated that gross earnings will be increased by only 15%....	180,000
	<hr/>
Total increase in gross earnings.....	\$1,170,000
Estimated operating ration on out of pocket basis 30%:	
Operating Expense.....	350,000
	<hr/>
Net Increase.....	\$ 820,000

EXHIBIT No. 7

Sketch map showing Principal passenger connections of Canadian National and Canadian Pacific Systems with U.S. railroads. (Not reproduced.)

RAILWAY CONDITIONS

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EXHIBIT 8

OFF-LINE FREIGHT AND PASSENGER OFFICES

C.N.R. AND C.P.R.

As at Nov.—1930

	C.N.R.	C.P.R.
<i>United States—</i>		
Atlanta, Ga.....	—	P
Birmingham, Ala.....	F	—
Boston, Mass.....	F & P	F & P
Buffalo, N. Y.....	F & P	F & P
Chicago, Ill.....	F & P	F
Cincinnati, O.....	F	F & P
Cleveland, O.....	F & P	F & P
Dallas, Tex.....	—	F & P
Detroit, Mich.....	F & P	F & P
Duluth, Minn.....	F & P	F & P
Flint, Mich.....	P	—
Grand Rapids, Mich.....	F & P	F
Indianapolis, Ind.....	—	F & P
Kansas City, Ind.....	F & P	F & P
Los Angeles, Cal.....	F & P	F & P
Memphis, Tenn.....	F	F & P
Milwaukee, Wis.....	F	F & P
Minneapolis, Minn.....	F	F & P
New York, N. Y.....	F & P	F & P
Newhaven, Conn.....	F	—
Omaha, Neb.....	F	F & P
Philadelphia, Penn.....	F & P	F & P
Pittsburgh, Penn.....	F & P	F & P
Portland, Me.....	F & P	F
Portland, Ore.....	F & P	F & P
St. Louis, Mo.....	F & P	F & P
St. Paul, Minn.....	F & P	—
Saginaw, Mich.....	F	—
San Francisco, Cal.....	F & P	F & P
Seattle, Wash.....	F	F & P
Tacoma, Wash.....	—	F & P
Toledo, O.....	F	—
Tulsa, Okla.....	F	—
Washington, D. C.....	P	P
Juneau, Alaska.....	—	F
Ketchikan, Alaska.....	—	F
Skagway, Alaska.....	—	F
Other Points, U. S. A.....	—	2 Com. Agts.
<i>Europe—</i>		
Antwerp, Belgium.....	—	F & P
Belfast, Ireland.....	—	F & P
Berlin, Germany.....	—	F & P
Birmingham, England.....	F & P	F & P
Bristol, England.....	—	F & P
Cardiff, Wales.....	F & P	—
Cherbourg, France.....	—	F & P
Dundee, Scotland.....	—	F & P
Genoa, Italy.....	—	F & P
Glasgow, Scotland.....	F & P	F & P
Hamburg, Germany.....	—	F & P
Havre, France.....	—	F & P
London, England.....	F & P	F & P
Liverpool, England.....	F & P	F & P
Manchester, England.....	F & P	F & P
Marseilles, France.....	—	F & P
Newcastle, England.....	—	F & P
Oslo, Norway.....	—	F & P
Paris, France.....	P	F & P
Plymouth, England.....	—	F & P
Prague, Czecho-Slovakia.....	—	P
Riga, Latvia.....	—	F & P
Rome, Italy.....	—	F & P
Rotterdam, Holland.....	—	F & P
Rowne, Poland.....	—	P
Southampton, England.....	F & P	F & P

OFF-LINE FREIGHT AND PASSENGER OFFICES

C.N.R. AND C.P.R.

As at Nov.—1930

	C.N.R.	C.P.R.
<i>Europe—Concluded</i>		
Stavanger, Norway.....	—	P
Stockholm, Sweden.....	—	F & P
Vienna, Austria.....	—	F & P
Warsaw, Poland.....	—	F & P
Zurich, Switzerland.....	—	F & P
Other Points in Europe.....	21 Com. Agts.	30 Com. Agts.
<i>Australasia—</i>		
Auckland, New Zealand.....	P	P
Brisbane, Australia.....	F & P	—
Christchurch, New Zealand.....	F & P	—
Melbourne, Australia.....	F & P	P
Sydney, Australia.....	F & P	F & P
Wellington, New Zealand.....	F & P	P
Other Points Australasia.....	—	13 Com. Agts.
<i>The Orient—</i>		
Antung, Manchuria.....	—	F & P
Hong Kong.....	F & P	F & P
Kobe, Japan.....	—	P
Manilla, Philippines.....	—	P
Scout, Korea.....	—	F & P
Shanghai, China.....	F & P	F & P
Singapore, S. Settlements.....	F & P	—
Tientsin, China.....	—	F & P
Tokio, Japan.....	—	P
Yokohama, Japan.....	F & P	F & P
Other Points in the Orient.....	—	40 Com. Agts.
<i>Cuba and Hawaii.....</i>	2 Com. Agts.	2 Com. Agts.
<i>British West Indies—</i>		
Bridgetown, Barbadoes.....	F & P	—
Other Points in B.W.I.....	15 Com. Agts.	2 Com. Agts.

SUMMARY

	C.N.R.				C.P.R.			
	F. and P.	F.	P.	Com- mission Agents	F. and P.	F.	P.	Com- mission Agents
U.S.A.....	18	10	2		21	6	2	
Europe.....	7		1	21	27		3	
Australasia.....	5		1		1		3	
The Orient.....	4				6		3	
B.W. Indies } Cuba } Hawaii }	1			17				
Total.....	35	10	4	38	55	6	11	

F.=Freight.

P.=Passenger.

HEADQUARTERS OF DIVISIONS, DISTRICTS AND REGIONS, SHOWING ROAD AND TRACK MILEAGE
UNDER EACH JURISDICTION

Including Lines Owned, Leased or Operated under Trackage Rights

RAILWAY CONDITIONS

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District	Headquarters as at Sept. 27th, 1931	Division	Headquarters as at September 27th, 1931	Mileage as at September 27th, 1931		
				Division		District
				Road	Track	Road
Atlantic Region	Moncton	Halifax	<i>Atlantic Region—Headquarters, Moncton</i>	509.36	686.16	
		New Glasgow		420.88	545.79	
		Charlottetown		286.05	336.02	
		Moncton		389.76	603.66	
		Campbellton		703.82	868.65	
		Edmundston		803.68	928.47	
						3,113.55
Quebec District	Quebec	Levis	<i>Central Region—Headquarters, Toronto</i>	600.44	802.15	
		Saguenay		495.08	610.74	
		Cochrane		754.61	896.59	
		Montreal		434.93	519.03	
						2,285.06
						2,828.51
Montreal District	Montreal	Montreal Ternis	<i>Mileage—Quebec District.</i>	42.61	293.76	
		St. Lawrence		688.61	1,114.01	
		Ottawa		595.79	722.87	
						1,327.01
Northern Ontario District	North Bay	Allandale	<i>Mileage—Montreal District.</i>	588.15	766.59	
		Capreol		449.50	552.76	
		Hornepayne		587.70	673.32	
						1,992.67

EXHIBIT 9

CANADIAN NATIONAL RAILWAYS

HEADQUARTERS OF DIVISIONS, DISTRICTS AND REGIONS, SHOWING ROAD AND TRACK MILEAGE
UNDER EACH JURISDICTION

Including Lines Owned, Leased or Operated under Trackage Rights

District	Headquarters as at Sept. 27th, 1931	Division	Headquarters as at September 27th, 1931	Mileage as at September 27th, 1931			
				Division		District	
				Road	Track	Road	Track
Southern Ontario District	Toronto	Belleville	Belleville	1,100.95	1,583.63		
		Toronto	Toronto	38.58	343.39		
		Stratford	Stratford	749.71	919.30		
		London	London	448.62	946.78		
		St. Thomas	St. Thomas	248.84	527.87		
			Mileage—Southern Ontario District			2,596.20	4,320.47
Manitoba	Winnipeg		MILEAGE—CENTRAL REGION			7,833.62	11,272.29
			Western Region—Headquarters Winnipeg				
		Lakehead	Fort William	18.73	224.26		
		Port Arthur	Port Arthur	996.13	1,291.79		
		D.W. & P.	Virginia	176.37	235.67		
		Winnipeg Ternls.	Winnipeg	42.92	243.53		
		Portage	Winnipeg	1,142.08	1,336.41		
		Brandon	Brandon	649.25	737.60		
		Dauphin	Dauphin	892.82	1,032.70		
			Mileage—Manitoba District			3,918.30	5,101.96
		Prince Albert	Prince Albert	1,063.58	1,177.82		
		Melville	Melville	791.01	960.54		
		Regina	Regina	959.12	1,122.20		
		Saskatoon	Saskatoon	795.01	970.56		
Saskatchewan	Saskatoon		Mileage—Saskatchewan District			3,608.72	4,231.12
		Calgary	Calgary	899.26	1,127.37		
		Edmonton	Edmonton	1,043.53	1,281.90		
		Edson	Edson	457.52	598.71		
Alberta	Edmonton						

EXHIBIT 9

CANADIAN NATIONAL RAILWAYS

HEADQUARTERS OF DIVISIONS, DISTRICTS AND REGIONS, SHOWING ROAD AND TRACK MILEAGE
UNDER EACH JURISDICTION*Including Lines Owned, Leased or Operated under Trackage Rights*

District	Headquarters as at Sept. 27th, 1931	Division	Headquarters as at September 27th, 1931	Mileage as at September 27th, 1931			
				Division		District	
				Road	Track	Road	Track
Grand Trunk Western Lines.	Detroit.	Chicago..... Detroit..... Detroit Ternls.....	Battle Creek..... Durand..... Detroit.....	349.88	1,030.38		
				649.28	970.14		
				22.16	201.82		
Central Vermont Lines.....	St. Albans.....	Northern..... Southern.....	Mileage—Grand Trunk Western Lines..... St. Albans..... New London..... Mileage—Central Vermont lines..... Mileage—System (Exc. G.T.W. & C.V.R.)..... Mileage—All inclusive system.....			1,021.32	2,202.34
				258.62	331.08		
				197.61	291.74		
						456.23	672.82
						22,334.11	29,362.10
				23,811.66	32,237.26		

Lines not included in system

<i>Steam operated—</i> Thousand Islands Railway. <i>Electric Lines—</i> Niagara, St. Catharines & Toronto Ry. Montreal & Southern Coun- ties Ry. Oshawa Railway				4.51			
				57.73			
				53.66			
				11.86			
Total mileage not included.							27.76

RAILWAY CONDITIONS

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HEADQUARTERS OF DIVISIONS AND DISTRICTS SHOWING ROAD MILEAGE UNDER EACH JURISDICTION AS AT SEPTEMBER 27TH, 1931
Including Lines Owned, Leased or Operated Under Trackage Rights

District	Headquarters	Division	Headquarters	Division Mileage	District Mileage
<i>Eastern Lines—</i> New Brunswick	Saint John	Brownville	Brownville Jct.	412.80	
		Woodstock	Woodstock	400.20	
Quebec District		Mileage—New Brunswick District			873.00
	Montreal	Farnham	Farnham	487.30	
Ontario District		Montreal Ternls.	Montreal	44.00	
		Laurentian	Montreal	529.40	
		Smith Falls	Smith Falls	654.50	
	Toronto	Mileage—Quebec District			1,715.20
Algoma District		Trenton	Toronto	627.80	
		Bruce	Toronto	460.10	
		London	London	437.90	
	North Bay	Mileage—Ontario District			1,525.80
<i>Western Lines—</i> Manitoba District		Sudbury	Sudbury	737.40	
		Schreiber	Schreiber	511.00	
		Mileage—Algoma District			1,248.40
	Winnipeg	Ft. William Ternl.	Fort William		
Saskatchewan		Kenora	Kenora	133.50	
		Winnipeg Ternls.	Winnipeg	471.50	
		Portage	Winnipeg	307.10	
		Brandon	Winnipeg	1,080.00	
Alberta District		Mileage—Manitoba District	Brandon	922.30	
		Regina	Regina	851.90	2,914.40
	Moose Jaw	Moose Jaw	Moose Jaw	929.20	
		Saskatoon	Saskatoon	1,303.10	
British Columbia District		Mileage—Saskatchewan District	Saskatoon		3,084.20
	Calgary	Medicine Hat	Medicine Hat	1,078.10	
		Calgary	Calgary	398.00	
		Edmonton	Edmonton	747.90	
		Lethbridge	Lethbridge	951.10	
		Mileage—Alberta District			3,175.10
	Vancouver	Revelstoke	Revelstoke	499.70	
		Vancouver	Vancouver	268.90	
		Kootenay	Nelson	573.20	
		Kettle Valley	Penticton	405.20	
		Mileage—British Columbia	District		1,747.00
		Road Mileage—Canadian Pacific Railway			16,283.10

CANADIAN PACIFIC RAILWAY

HEADQUARTERS OF DIVISIONS AND DISTRICTS SHOWING ROAD MILEAGE UNDER EACH JURISDICTION AS AT SEPTEMBER 27TH, 1931

Including Lines Owned, Leased or Operated Under Trackage Rights

Operating Unit	Headquarters	Division	Headquarters	Division Mileage	District Mileage
Dominion Atlantic Ry.....	Kentville.....				304.00
Quebec Central Ry.....	Sherbrooke.....				362.00
Spokane International Ry.....	Spokane.....				164.00
Canadian Pacific Ry.....					16,283.10
		Mileage—C.P.R. System (Inc. D.A.R., Q.C.R. and S.I.R.).....			17,113.10
CONTROLLED LINES NOT INCLUDED IN ABOVE SYSTEM					
<i>Steam Operated—</i>					
Duluth, S. Shore & Atlantic Ry.....	Minneapolis.....				559.00
Mineral Range R.R.....	Minneapolis.....				57.00
Minn., St. Paul & S. Ste. M. Ry.....	Minneapolis.....				4,348.00
<i>Electric Lines—</i>					
L. Erie & Northern Ry.....					51.00
Grand River Ry.....					19.00
		Total—Mileage not included.....			5,034.00

*Exclusive of duplications due to C.N. Running Rights over C.P. or vice versa.

*Exclusive of duplications due to C.N. Running Rights over C.P. or vice versa.

SUMMARY

Region	C.N. Lines	C.P. Lines	Joint Lines	Total
Eastern.....	11,383	5,986	.....	17,369
Western.....	11,329	11,084	880	23,293
U.S. (Grand Trunk Western R.R.).....	1,021	.....	.....	1,021
Consolidated System.....	23,733	17,070	880	41,683

EXHIBIT 10

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

*Lines Proposed to be Abandoned**Duplicating Main Lines*

Railway	From	To	Miles	Population affected	Net Value of Salvag Material
					\$
C.P.R.....	Delson, Que.....	St. Johns, Que.....	15	2,000	149,200
C.P.R.....	Belair.....	Lachevrotière.....	29	5,700	156,700
C.N.R.....	St. Johns.....	Farnham, Que.....	11	700	36,900
C.N.R.....	Federal.....	Pembroke.....	89	5,200	655,500
C.N.R.....	North Bay.....	Meadowside.....	15	1,000	84,400
C.N.R. and C.P.R.....	Sudbury.....	Bala.....	141	4,500	793,900
C.P.R.....	Glen Tay.....	Agincourt.....	182	14,200	1,134,400
C.P.R.....	Windsor.....	Woodstock.....	138	4,900	923,500
C.P.R.....	Woodstock.....	Ingersoll, Ont.....	9	Nil	46,100
C.N.R.....	Nipigon.....	Current.....	68	Nil	386,000
C.N.R.....	Twin City Jct.....	James.....	59	Nil	369,000
C.N.R.....	Terminal Jct., Man.....	Hector, Man.....	64	1,510	406,700
C.N.R.....	West Tower.....	Deer.....	21	Nil	125,600
C.N.R.....	Brandon.....	Maryfield.....	75	2,450	352,100
C.P.R.....	Maryfield.....	Peebles.....	71	3,380	328,600
C.P.R.....	Through Saskatoon.....	.....	12	Nil	89,800
C.P.R.....	Saskatoon.....	Unity.....	120	1,590	606,500
			1,115	47,130	6,645,700

RAILWAY CONDITIONS

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Duplicating Branch Lines

Railway	From	To	Miles	Population Affected	Net Value of Salvage Material
					\$
P.R.	Grand Falls, N.B.	Edmundston, N.B.	38	Nil	176,743
N.R.	Middleton, N.S.	Granville, N.S.	22	2,510	91,300
C.R.	Scott Jct., Que.	Joffre, Que.	19	2,900	83,533
C.R.	St. Anselme, Que.	Karlaka Jct., Que.	16	300	68,452
N.R.-C.P.R.	Shawinigan	Grand'Mère	6	Nil	21,046
N.R.	Lachute		6	500	49,905
P.R.	Payne	Eganville	23	600	95,570
N.R.	Lyn Jct.	Forfar	31	4,700	140,490
N.R.	Arnprior	Renfrew	17	2,600	68,320
N.R.-C.P.R.	Port McNicoll	Lindsay	75	6,600	359,074
P.R.	Lindsay	Drancel	17	2,300	83,052
N.R.	Napanee	Trenton Jct.	35	4,900	153,640
N.R.	Peterboro	Millbrook Jct.	13	2,300	47,702
N.R.	Ronnac	Brinlock	35	3,000	158,021
P.R.	Listowel	Linwood	16	3,100	77,364
N.R.	Beech Jct.	East Selkirk	24	Nil	123,468
P.R.	Winnipeg	Morris	40	920	187,832
P.R.	McGregor	Miniota	108	4,020	393,629
P.R.	Portage la Prairie	Gladstone	35	720	161,378
P.R.	Binscarth	Inglis	24	2,010	112,951
P.R.	McAuley	Virden	37	1,500	181,961
N.R.	Holmfild	Deloraine	51	2,040	183,073
P.R.	Colonsay	Amazon	36	900	173,494
N.R.	Regina	Moose Jaw	39	2,230	142,776
A.R.	Edmonton	Kerensky	45	2,000	210,155
A.R.	Corboudale	Merinville	5	400	47,297
P.R.	Bruderheim	Edmonton	34	520	154,865
N.R.	Tofield	Camrose	23	810	78,333
N.R.	Warden	Alix	22	500	73,374
N.R.	Burbank	Red Deer	6	Nil	22,892
N.R.	Burbank	Rocky Mt. House	56	3,020	220,934
N.R.	Barlow Jct.	Granger	47	1,100	224,067
N.R.	Lake End	Cowichan Lake	30	1,200	108,841
N.R.	Deerholm	Tyup	4	200	14,643
			1,035	60,400	4,489,893

Thin Traffic Lines

Railway	From	To	Miles	Population Affected	Net Value of Salvage Material
					\$
N.R.	St. Leonard Jct.	Nicolet, Que.	15	4,400	51,042
P.R.	De Beaujeu	Cornwall	29	4,800	125,532
N.R.	Golden Lake	Pembroke	21	2,900	71,407
N.R.	Collingwood	Beeton	42	7,800	172,522
N.R.	Glencoe	Kingscourt Jct.	21	2,000	77,218
N.R.	Twin City Jct.	Mackies	35	2,300	175,000
N.R.	Brandon Jct.	Carberry Jct.	23	450	53,541
N.R.	Forest	Wheatland	17	Nil	76,105
N.R.	Brandon	Varcoe	24	1,360	172,057
N.R.	Gautier	Minnedosa	17	500	81,912
N.R.	Plum Coulée	Elm Creek	40	1,600	191,860
			284	28,010	1,188,196
		Grand Total	2,434	135,640	12,323,794

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN NATIONAL RAILWAYS AND CANADIAN PACIFIC RAILWAY

Summary of Station Earnings (1927) on Proposed Abandonments of Canadian National Lines

	Mileage	Station Earnings 1927 \$
<i>Duplicating Main Lines</i>		
St. Johns—Farnham, Que.....	11	2,8
Federal—Pembroke, Ont.....	89	102,0
North Bay—Meadowside, Ont.....	15	4,4
Winnipeg (Terminal Junction)—Hoctor, Man.....	64	39,2
Portage La Prairie (West Tower)—Deer, Man.....	21	5,8
Nipigon—Current, Ont.....	68	17,9
Twin City—James, Ont.....	59	29,8
Brandon—Maryfield, Man.....	75	179,2
Sudbury Junction—Bala, Ont.....	141	79,8
	543	459,5
<i>Duplicating Branch Lines</i>		
Middleton—Granville, N.S.....	22	28,8
Through Lachute, Que.....	6	70,8
Lyn Junction—Forfar, Ont.....	31	64,4
Arnprior—Renfrew, Ont.....	17	9,0
Midland—Lindsay, Ont.....	75	541,0
Napanee—Trenton Junction, Ont.....	35	44,4
Peterboro—Millbrook Junction, Ont.....	13	8,3
Beach Junction—East Selkirk, Man.....	24	20,0
Holmfild—Deloraine, Man.....	51	132,8
Regina (Warell)—Moose Jaw Junction, Sask.....	39	90,8
Tofield—Camrose, Alta.....	23	88,7
Warden—Alix, Alta.....	22	26,7
Burbank—Red Deer, Alta.....	6	73,6
Burbank—Rocky Mountain House, Alta.....	56	87,2
Barlow—Grainger, Alta.....	47	181,0
Lake End—Cowichan Lake, B.C.....	30	265,8
Deerholme—Tyup, B.C.....	4	.....
	501	1,734,1
<i>Thin Traffic Lines</i>		
St. Leonard Junction—Nicolet, Que.....	15	9,7
Golden Lake—Pembroke, Ont.....	21	18,0
Collingwood—Beeton, Ont.....	42	141,4
Glencoe—Kingscourt Junction, Ont.....	21	32,1
Twin City—Mackies, Ont.....	35	59,5
Brandon Junction—Carberry Junction, Man.....	23	33,3
	157	294,3
DUPLICATING MAIN LINES.....	543	459,5
DUPLICATING BRANCH LINES.....	501	1,734,1
THIN TRAFFIC LINES.....	157	294,3
Total.....	1,201	2,488,0

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS

Station Earnings (1927) on Proposed Abandonments of Canadian National Lines

Stations on Proposed Abandonments	Provinces	Distance Abandon- ed	Station Earnings	Total
			\$	\$
Middleton—Granville—	N.S.	22 Mils.		
Elliott.....			2,844	
Clarence.....			810	
Bridgetown.....			22,439	
Belle Isle.....			1,308	
Granville Centre.....			968	28,369
Leonard Jet.—Nicolet—	Que.	15 Mils.		
Ste. Monique.....			9,793	9,793
Johns—Farnham—	Que.	11 Mls.		
Ménardville.....			1,679	
Versailles.....			153	
Mt. Johnson.....			429	2,281
Lachute—	Que.	6 Mls.		
Lachute.....			70,585	70,585
Golden Lake—Pembroke—	Ont.	21 Mls.		
Wioto.....			5,027	
Locksley.....			13,044	
National Jet.....				18,071
N. Jet.—Forfar—	Ont.	31 Mls.		
Forthton.....			1,097	
Athens.....			25,713	
Lyndhurst.....			18,724	
Delta.....			12,727	
Phillipsville.....			5,889	64,152
Derby—Pembroke—	Ont.	89 Mls.		
Bell's Corners.....			119	
Stratheorn.....			411	
Malwood.....			1,427	
Woodlawn.....			9,617	
Fitzroy.....			2,331	
Pontiac.....			785	
Norway Bay.....			891	
Bristol.....			10,144	
Clarendon.....			396	
Portage du Port.....			14,825	
Foresters Falls.....			15,086	
Beechburg.....			42,463	
Finchley.....			3,565	102,060
Derby—Renfrew—	Ont.	17 Mls.		
Glasgow.....			8,502	
Goshen.....			1,182	
Horton Pit.....				9,684
North Bay—Meadowside—	Ont.	15 Mls.		
Yellek.....			72	
Meadowside.....			4,368	4,440
Derby Jet.—Bala—	Ont.	141 Mls.		
Ardbeg.....			60,181	
Bolger.....			26	
Burton.....			63	
South Magnetown.....			168	
North Magnetown.....			125	
Drocourt.....			222	
Mowat.....			107	
Cranberry Lake.....			57	
Cranberry.....			19	
Key Harbor.....			412	
Pickeral River.....			3,076	
Hartley Bay.....				
Bayswater.....				
Porlock.....			122	
Burwash.....			383	
Waterfall.....			14,034	
			107	79,102

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS
Station Earnings (1927) on Proposed Abandonments of Canadian National Lines

Stations on Proposed Abandonments	Provinces	Distance Abandoned	Station Earnings	Total
Midland—Lindsay—	Ont.	75 Mls.	\$	\$
Cambrai.....			2,349	
Grasshill.....			2,797	
Thomas.....			744	
Lorneville Jct.....			5,648	
Beaverton East.....			25,204	
Canebridge.....			207	
Brechin.....			9,709	
Upper Grove.....			3,135	
Atherley.....			4,327	
Orillia.....			404,109	
Sheilds.....			753	
Uthoff.....			4,412	
Coldwater.....			12,062	
Waubausene.....			12,722	
Victoria Harbor.....			53,502	
Tiffin.....				
Midland.....				
McMillan.....				
Tay.....				
Martyrs Shrine.....				541,68
Napanee—Trenton Jct—	Ont.	35 Mls.		
Deseronto.....			41,234	
Mohawk.....			78	
Thurlow.....			3,108	
Belleville So.....				
Bayside.....			6	44,42
Peterboro—Millbrook Jct—		13 Mls.		
Fraserville.....			8,358	8,35
Romac—Brinlock—	Ont.	35 Mls.		
Canton.....			151	
Osaca Town.....			1,494	
Starkeville.....			7,554	
Orono.....			14,971	
Tyrone.....			10,125	
Solina.....			788	
No. Oshawa.....			2,708	
Brinlock.....			6	37,79
Collingwood—Beaton—	Ont.	42 Mls.		
Nottawa.....			7,132	
Duntroon.....			6,408	
Glen Huron.....			41,750	
Creemore.....			2,269	
Avening.....			5,570	
Glencairn.....			8,948	
Lisle.....				
Tioga.....				
Everett.....			15,777	
Alliston.....			51,397	
Thompsonville.....				141,49
Kingscourt Jct.—Glencoe—	Ont.	21 Mls.		
Shields.....			753	
Alvinston.....			31,391	
Souterville.....				32,14
Nipigon—Current—	Ont.	68 Mls.		
Robford.....			284	
Everard.....				
Coughlin.....				
Hurkatt.....			1,616	
Dorion.....			3,012	
Ancliff.....			5,367	
Pearl.....			1,280	
Pass Lake.....			330	
Amethyst.....			5,421	
Silver Harbor.....			280	
Wild Goose.....			222	
			116	17,928

RAILWAY CONDITIONS

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CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS

Station Earnings (1927) on Proposed Abandonments of Canadian National Lines

Stations on Proposed Abandonments	Provinces	Distance Abandoned	Station Earnings	Total
			\$	\$
win City—Mackies—	Ont.	35 Mls.		
Slade River.....				
Stanley.....			17,300	
Hymers.....			9,225	
Leeper.....			5,448	
Nolalu.....			2,585	
Hillside.....			6,217	
Silver Mountain.....			2,472	
Whitefish.....			5,465	
Wolfe.....			2,236	
Mackies.....			810	
			7,825	59,583
win City—James—	Ont.	59 Mls.		
Jelly.....				
Kakabeka Falls.....			147	
Hume.....			7,660	
Mokomon.....			104	
Cormee.....			2,532	
Dog River.....			538	
Ellis.....			366	
Fleet.....			899	
Griff.....			5,592	
Horne.....			803	
Raith.....			73	
Linko.....			9,774	
			1,038	29,646
nnipeg (Terminal Jct.)—Hector—	Man.	64 Mls.		
Dugald.....				
Glass.....			10,531	
Anola.....			784	
Vivian.....			2,310	
Nourse.....			3,634	
Hazel.....				
Contour.....			1,252	
Lewis.....				
Elma.....			1,713	
Alcock.....			18,695	
Hector.....				
			293	39,215
ch Jct.—East Selkirk—	Man.	24 Mls.		
Beech Jct.....				
West Transcona.....				
Parkmount.....			41	
Birds Hill.....			506	
Manlius.....				
Gonor.....			469	
East Selkirk.....			10,978	
			8,059	20,053
ndon Jct.—Carberry Jct.—	Man.	23 Mls.		
Brandon Jct.....				
Carberry.....			905	
Fairview.....			18,614	
Petrel.....			6,974	
Petrel Jct.....			5,027	
Munroe.....				
Carberry Jct.....			1,800	
				33,320
tage La Prairie (West Tower)—Deer—		21 Mls.		
Arong.....				
Bloom.....			1,026	
Caye.....			3,171	
Deer.....			1,035	
			569	5,801

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS

Station Earnings (1927) on Proposed Abandonments of Canadian National Lines

Stations on Proposed Abandonments	Provinces	Distance Abandoned	Station Earnings	Total
			\$	\$
Brandon—Maryfield—	Man.	75 Mls.		
Vilette.....			5,562	
Merle.....			1,903	
Terence.....			95,755	
Ralston.....			2,848	
Algar.....			657	
Maon.....			3,473	
Woodworth.....			28,049	
Cromer.....			32,108	
Butler.....			8,940	179,2
Holmfield—Deloraine—	Man.	51 Mls.		
Enterprise.....			12,127	
Lena.....			20,786	
Wakopa.....			11,085	
Adelpha.....			3,762	
Horton.....			12,041	
Wassewa.....			12,338	
Mountain Side.....			10,697	
Hazeldean.....			4,017	
Coatstone.....			8,036	
Leige.....			12,473	
Deloraine.....			25,267	132,5
Regina (Warrell)—Moose Jaw Jct.—	Sask.	39 Mls.		
Sidmar.....			8,078	
Adams.....			12,197	
Pattee.....			11,988	
Keystown.....			27,265	
Stony Beach.....				
Eastview.....			11,060	
Burdick.....			20,299	90,8
Tofield—Camrose—	Alta.	23 Mls.		
Bardo.....			12,246	
Kingman.....			26,416	
Dinant.....			50,075	88,7
Warden—Alix—	Alta.	22 Mls.		
Oberlin.....			20,244	
Nevis.....			4,286	
Troon.....			2,207	26,7
Red Deer Jct.—Red Deer: (Burbank)—	Alta.	6 Mls.		
Red Deer.....			73,656	73,6
Burbank—Rocky Mountain House—	Alta.	56 Mls.		
Burbank.....			573	
Briggs.....			193	
Prevo.....			3,214	
Sylvan Lake.....			16,863	
Elspeth.....			5,657	
Eckville.....			33,219	
Withrow.....			2,771	
Leslieville.....			21,652	
Codner.....			3,058	
Lodge.....				
Otway.....				87,2
Barlow Jct.—Grainger—	Alta.	47 Mls.		
Hubalta.....			6,958	
Conrich.....			19,431	
Delacour.....			14,084	
Kathryn.....			27,564	
Irricana.....			23,483	
Beiseker.....			42,216	
Bircham.....			21,298	
Grainger.....			26,034	181,0

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS

Station Earnings (1927) on Proposed Abandonments of Canadian National Lines

Stations on Proposed Abandonments	Provinces	Distance Abandoned	Station Earnings	Total
Lake End—Cowichan Lake— Cowichan Lake.....	B.C.	30 Mls.	\$	\$
Chanlog.....			3,223	
Camscot.....			104,345	
Deerholme.....			78,081	
Kinsol.....			48,972	
Shawnigan Beach.....			51,336	
Lake End.....				265,957
Deerholme—Tyup— Tyup.....	B.C.	4 Mls.		

(Maps referred to in Exhibit 10 are not reproduced.)

EXHIBIT 11
CANADIAN NATIONAL RAILWAYS
CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS
Estimated Saving in Maintenance and Operation Due to Abandonment of Lines

	MAINTENANCE OF WAY AND STRUCTURES			TRAIN SERVICE			Total
	Fixed	Direct	Total	Passenger	Mixed	Freight	
Lines in New Brunswick.....	\$ 34,560	\$	\$ 34,560	\$	\$	\$	\$ 34,560
" Quebec.....	130,200	1,524	131,724	57,190	22,342	36,553	116,085
" Ontario.....	1,141,500	52,860	1,194,360	224,120	474,319	25,419	723,858
" Manitoba.....	576,400	22,522	598,922	81,621	205,115	.....	286,736
" Saskatchewan.....	296,400	12,956	309,356	142,497	24,000	.....	166,497
" Alberta.....	232,700	8,754	241,454	10,855	96,318	.....	107,173
" British Columbia.....	23,800	1,268	25,068	16,714	.....	.....	16,714
Total.....	2,435,560	99,884	2,535,444	532,997	822,094	61,972	1,417,063
							3,952,507

RAILWAY CONDITIONS

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EXHIBIT 12

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Summary of Savings Resulting from Re-routing of Main Line Traffic

	Cost via Most Ex- pensive Line	Cost via Cheapest Line	Saving Due to Rerouting
	\$	\$	\$
Use of C.N.R. as Freight Line, Kamloops-Vancouver.....	2,046,964	1,632,794	414,170
Traffic from Northern Alberta and Saskatchewan to and from Van- couver.....	1,565,979	1,024,457	541,522
Port Hauling Branch Line traffic to Main Lines.....	818,704	757,526	178,750
Routing C.N.R. traffic Toronto-Sudbury via C.P.R.....			61,178
Transferring Northern Navigation Company traffic to Canadian Pacific Boats.....			200,000
Transferring Canadian Pacific Railway traffic to Canada Atlantic Transit Co.....			100,000
Total.....			1,495,620

EXHIBIT 14

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Estimated Saving in Out-of-Pocket Cost by Increase of 5% in Average Load Per Car

	C.N.R. 1930	C.P.R. 1930	Total C.N.R.— C.P.R.
100 Revenue ton miles.....	16,874,333	12,050,992	28,925,325
100 Loaded car miles.....	758,544	531,252	1,289,796
Average tons per car.....	22.25	22.68	22.43
Increase in car miles due to 5% increase in average load per car 1,000's.....			61,395
Increase in tare ton miles 1,000's.....			1,227,900
Increase in empty ton miles 1,000's.....			613,950
Increase in gross ton miles.....			1,841,850
Estimated out-of-pocket.....			\$4,144,163

EXHIBIT 15

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Increase in Train Loading—Estimated Saving

Freight train miles, 1930—Canadian National Railways.....	32,076,885
Freight train miles, 1930—Canadian Pacific Railway.....	23,379,420
Total—C.N.R. and C.P.R.....	55,456,305
Estimated train miles at 5% increased train loading.....	52,815,305
Reduction in train miles.....	2,641,000
Saving due to reduction in train miles, 1930.....	\$2,380,000
Saving on basis of 1931 traffic.....	\$2,200,000

SPECIAL COMMITTEE

EXHIBIT 16

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Consolidation of Shops

	C.N.R.	C.P.R.	Total
Total number of employees.....	12,296	10,551	22,847
Average number of man hours per man per annum.....	1,500	1,500	1,500
Average hourly rate.....	\$ 0 70	\$ 0 70	\$ 0 70
Total man hours per annum.....	18,444,000	15,826,500	34,270,500
Assume 20 per cent increase in efficiency—			
Saving in man hours.....	3,074,000	2,637,750	5,711,750
Estimated savings per annum.....	\$ 2,151,800	\$ 1,846,425	\$ 3,998,225

EXHIBIT 17

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Reduction of Passenger Train Service

Service	Direct Maintenance of Way and Structures	Train Service	Total
		\$	\$
Transcontinental Passenger.....	185,460	1,742,385	1,927,845
Inter-City Train Service—			
Montreal-Ottawa.....	22,540	248,225	270,765
Montreal-Quebec.....	22,353	245,949	268,302
Montreal-Toronto.....	89,615	860,644	950,259
Toronto-Ottawa.....	27,354	298,543	325,897
Toronto-London.....	31,052	302,823	333,875
London-Windsor and Sarnia.....	34,063	332,743	366,806
Total Inter-City.....	226,977	2,288,927	2,515,904
Total.....	\$ 412,437	\$ 4,031,312	\$ 4,443,749

RAILWAY CONDITIONS

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EXHIBIT 18

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Ratio of Materials and Supplies on Hand to Materials and Supplies Used—1930

C.N.R. — C.P.R. — CLASS I U.S. ROADS

	Materials on hand, Dec. 31, 1930	Materials Used, Year 1930	Ratio of Materials on hand to Materials Used
	\$	\$	%
Class I Roads, excl. Switching Companies.....	430,789,212	1,076,297,298	40.0
Pennsylvania.....	33,117,417	155,805,728	21.3
Baltimore & Ohio.....	15,187,376	56,283,197	27.0
A. & S. F.....	29,097,945	67,079,643	43.4
Northern Pacific—Pacific Lines.....	25,856,848	52,369,515	49.4
Northern Pacific.....	9,459,995	22,658,872	41.7
Chicago & Nor. Western.....	11,091,876	35,939,112	30.9
Chicago, Burlington & Quincy.....	14,151,593	43,188,894	32.8
Union Pacific.....	6,962,371	43,264,122	39.2
Canadian National.....	42,088,695	80,064,358	52.8
Canadian Pacific.....	25,445,272	64,031,747	(est.) 39.7
Canadian National and Canadian Pacific combined.....	67,533,967	144,096,104	47.6

POSSIBLE REDUCTION IN STORES STOCKS

Due to consolidation of Canadian National and Canadian Pacific, the decrease in Operating Expenses for "Materials and Supplies" would amount to approximately \$20,000,000 per annum. Total purchases would therefore be reduced to about \$124,000,000.

Allowing a ratio of materials on hand to materials used for the Canadian National and Canadian Pacific combined of 42%, or 2 points over the average for all Class I U.S. Roads, materials on hand would amount to \$52,000,000, or a reduction of \$15,000,000.

SPECIAL COMMITTEE

EXHIBIT 19

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Express Departments

POSSIBLE ECONOMIES UNDER JOINT OPERATION

Possible economies under joint operation include:

1. Reduction in Supervisory Expense
2. Reduction in expenses at competitive points—agents and staff, collection and delivery service, etc.

REDUCTION IN SUPERVISORY EXPENSE

The following shows the location of System, District and Division headquarters of C.N.R. and C.P.R. Express Departments.

C. N. R. ORGANIZATION

System Headquarters—Montreal

Eastern District.....	General Superintendent.....	Montreal
	Superintendent.....	Moncton
	".....	Quebec
	".....	Montreal
	" (City).....	Montreal

Central District.....	General Superintendent.....	Toronto
	Superintendent.....	Belleville
	“.....	Toronto
	“ (City).....	Toronto
	“.....	London
	“.....	North Bay

Western District.....	General Superintendent.....	Winnipeg
	Superintendent.....	Winnipeg
	“ (City).....	Winnipeg
	“.....	Edmonton

C. P. R. ORGANIZATION

System Headquarters—Toronto

Lines East.....	General Superintendent.....	Montreal
	Superintendent.....	Toronto
	".....	Montreal
	Asst. Superintendent.....	Montreal
	".....	St. John

Lines West.....	General Superintendent.....	Winnipeg
	Superintendent.....	Winnipeg
	“.....	Vancouver

Savings in Supervisory expense would include:

1. Elimination of one system Headquarters
2. Elimination of two district Headquarters (Montreal and Winnipeg).
3. Elimination of three divisional Headquarters (Montreal, Toronto and Winnipeg)

In each case there is some expense which probably could not be eliminated, such as claims paid to certain clerical staffs. C.P.R. figures are not available, but using those for the C.N.R., the above would mean a reduction in operating expenses (based on August 1931) as follows:

Express—Concluded

	August 1931	Estimated Reduction
System H.Q.—Offices of Gen. Mgr. and Traffic Mgr.....	9,402	7
District H.Q.—Gen'l. Sup't. Mtl. & Claims Dep.....	7,781	2
“ “ — “ “ Wpg. “ “	4,606	2
Div. H.Q.—Superintendent, Montreal.....	1,673	1
“ “ “ Toronto.....	2,063	1
“ “ “ Winnipeg.....	2,389	1
or approximately \$190,000 per annum.		15

RAILWAY CONDITIONS

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INGS IN EXPENSE AT COMPETITIVE POINTS: Savings at competitive points for agents, staff, collection and delivery service, etc., are estimated as follows:—

Location	Agents, Staff Truck and Wagon Service— Aug. 1931	Per cent Reduction	Estimated Saving
	\$		\$
<i>ern District—</i>			
Halifax.....	6,100	10	610
St. John.....	4,300	10	430
Train Employees.....	6,600	5	330
Quebec.....	6,300	10	630
Ottawa.....	7,500	10	750
Montreal City.....	51,300	5	2,500
Belleville.....	1,800	20	360
Brockville.....	1,300	20	260
Cobourg.....	600	40	240
Kingston.....	1,700	20	340
Lindsay.....	800	40	320
Oshawa.....	1,600	20	320
Peterboro.....	1,600	20	320
Port Hope.....	800	40	320
Train Employees.....	1,000	10	100
<i>ral District—</i>			
Galt.....	780	40	210
Guelph.....	1,800	20	360
Hamilton.....	6,800	10	680
Kitchener.....	2,100	15	310
Toronto.....	64,400	5	3,220
West Toronto.....	2,600	15	390
North Bay.....	1,800	20	360
Sudbury.....	1,000	20	200
Fort William.....	500	40	200
Port Arthur.....	460	40	180
Train Employees.....	9,000	10	900
<i>ern District—</i>			
Brandon.....	940	40	380
Portage la Prairie.....	460	40	180
Humboldt.....	300	40	120
Melfort.....	410	40	160
Moose Jaw.....	600	40	240
Regina.....	3,300	15	500
Yorkton.....	400	40	160
Winnipeg.....	16,500	10	1,650
Biggar.....	480	40	190
N. Battleford.....	900	40	360
Prince Albert.....	1,200	20	240
Saskatoon.....	5,400	10	540
Calgary.....	3,600	15	540
Edmonton.....	6,600	10	660
Kamloops.....	560	40	220
Vancouver.....	2,800	15	420
Victoria.....	500	40	200
Train Employees.....	10,400	10	1,040
Total based on Aug. 1931.....			22,640

Estimated total for 12 mos.....	\$ 270,000
Summarizing the above, reduction in expenses under joint operation would be:—	
Reduction in Supervisory Expense.....	\$ 190,000
“ Expense at Competitive points.....	270,000
Total.....	\$ 460,000

This reduction amounts to 3.7% of the total operating expenses of the combined express companies including “Express Privileges”) as reported to Dominion Bureau of Statistics.

EXHIBIT 20

CANADIAN NATIONAL RAILWAYS

Consolidation of Canadian Pacific and Canadian National Railways
Telegraph Departments

Possible economies under joint operation include:—

- (1) Reduction in supervisory expenses.
- (2) Saving in operation and maintenance.

- (a) Outside plant.
- (b) Main or functional offices.
- (c) Branch offices.

- (3) Advertising and solicitation of business.

It is assumed that under joint operation the greater proportion of the general overhead of one system would disappear, that is practically the equivalent expense of one general manager's office and staff would be saved.

Headquarter supervision of telegraphs is as follows:—

Officers, 9; staff, 34; salaries, \$128,000; estimated reduction say 75 per cent or \$100,000.

Saving in travelling expenses, rents, materials, etc., would total say \$15,000 per annum, a total of \$115,000.

Under joint operation one general superintendent's office might be abolished with a saving in wages, material and other expenses of approximately \$30,000 per annum. District organization might be decreased from a total of 15 say 9 or 10, with a saving in expense for superintendent offices, wages, materials, etc., of \$90,000 per annum.

As will be noted above, the total pole and wire mileage are as follows:

	C.N.R.	C.P.R.	Total
Pole Mileage..	24,828	16,919	41,747
Wire Mileage..	169,163	176,236	345,399

There is undoubtedly a considerable duplication of pole and wire mileage throughout the country between principal cities. On the basis of a reduction of 10 per cent in wire mileage at the average cost per wire mile on the C.N.R. of say \$4, the reduction by joint operation would work out at approximately \$140,000 per annum. Commercial telegraph proportion of this saving would be about \$80,000.

Main offices are maintained by each company in all of the larger cities of the Dominion. Physical consolidation would be very expensive but joint operation might be expected to reduce maintenance of office equipment by at least 10 per cent of the C.N.R. expense, which would amount to about \$15,000 per annum.

Operators, clerks and messengers expenses, which are the principal costs at these offices, vary to a large extent with traffic. Better utilization of force might be expected to result in a saving in operators' wages of approximately \$70,000 per annum (about 2½ per cent), a total for main offices of about \$85,000 per annum.

C.N.R. branch office expenses total \$885,000 per year (excluding commission offices). Of this amount a total of \$600,000 per year is at points not served by the Canadian Pacific. A reduction of probably one-third of this amount should be possible by joint operation, say \$200,000 per annum.

The C.N.R. expenses for advertising and solicitation of traffic total \$50,000 per annum. A reduction of 50 per cent might be expected or \$25,000

num. There is a strong competition from the telephone companies, otherwise much larger proportion of advertising expense might be saved.

Summarizing the above probable savings:—

Supervisory Expenses—	
Headquarters..	\$115,000
Gen. Supt.	30,000
Superintendents.. . . .	90,000
Operation and Maintenance—	
Outside Plant..	80,000
Main Offices..	85,000
Branch Offices..	200,000
Advertising and Solicitation.. . . .	25,000
Total..	\$625,000

This reduction of \$625,000 is equivalent to about 7 per cent of the combined operating expenses of the C.N. and C.P. Commercial Telegraphs, as reported to the Dominion Bureau of Statistics for 1930.

EXHIBIT 21

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Cost of Production at Rail and River Coal Company's Mines—Bellaire, Ohio

—	Mine	Tons Produced	Total Cost	Average Cost per Ton
			\$	\$
Months ending.....	{ No. 3 No. 4 No. 6	607,321 384,708 579,686	656,902 452,493 637,136	1.0816 1.1762 1.0991
Total.....		1,571,715	1,746,530	1.1112
Months based on 10 months.....	3 mines	1,886,058	2,095,836	1.1112
Months based on best month at each mine 1931	{ No. 3 No. 4 No. 6	875,736 542,544 930,804	898,236 587,436 968,748	1.0257 July 1.0827 Oct. 1.0407 May
Total.....		2,349,084	2,454,420	1.0448
Probable maximum.....	3 mines	2,500,000	2,600,000	1.040

Present rate of production 3 mines..... 1,900,000 at \$1.11
 Probable maximum production..... 2,500,000 at \$1.04

Assuming C.P.R. are now paying same price for Ohio coal as C.N.R., saving by consolidation would be 500,000 tons at \$0.07 or \$175,000 per annum.

SPECIAL COMMITTEE

EXHIBIT 22

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Economic Value of Released Material

SUMMARY

Material released from abandoned lines (see exhibit 10).....	\$ 12,300,000
Material released from closed shops.....	2,000,000
Equipment released by reduced Passenger Train Service.....	11,200,000
Equipment released by heavier car loading.....	18,500,000
Equipment released by heavier train loading.....	3,355,000
Equipment released by re-routing main line traffic.....	1,375,000
	<hr/>
	\$ 48,730,000

Economic Value of Equipment Released by Reduction in Passenger Train Service

Proposed saving in Passenger Service is.....	3,500,000	train mi
Average miles per passenger locomotive year.....	80,000	
Saving in locomotives.....	45	
Average value per passenger locomotive.....	\$ 60,000	
Value of locomotives.....	\$ 2,700,000	
Average number of passenger train cars per passenger locomotive is.....	8	
Number of coaches saved.....	340	
Average value of passenger train cars.....	\$ 25,000	
Value of passenger train cars.....	\$ 8,500,000	
Total Value of Equipment.....	\$ 11,200,000	

Equipment Released by Heavier Car Loadings

Total freight cars owned by Canadian National Railways.....	128,191
Total freight cars owned by Canadian Pacific Ry.....	87,882
Total.....	<hr/>
	216,073
Cars required if loading is increased by 5 p.c.....	205,783
Saving due to increased car loading.....	10,290
Average book value per car—\$1,800.....	
Value of released material.....	\$ 18,500,000
Freight Train Miles 1930—Canadian National.....	32,076,885
Freight Train Miles 1930—Canadian Pacific.....	23,379,420
Total—C.N.R. and C.P.R.....	<hr/>
	55,456,305
Estimated train miles at 5% increased train loading.....	52,815,305
Reduction in train miles.....	2,641,000
Average locomotive miles per year—say.....	43,000
Saving in locomotives.....	61
Average value of locomotive.....	\$ 55,000
Value of released locomotives.....	\$ 3,355,000

Equipment Released by Re-routing Main Line Traffic

Locomotive Miles of Traffic	Present Routing	Proposed Routing
Kamloops-Vancouver.....	1,047,540	548,
Nor. Alta. and Sask.-Vancouver.....	676,381	270,
Toronto-Sudbury.....	343,604	267,
	<hr/>	
	2,067,525	1,086,

Saving in engine miles.....	980,544
Average engine miles per annum.....	40,000
Saving in engines.....	25
Value of engine.....	\$ 55,000
Total saving.....	\$ 1,375,000

EXHIBIT 23

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Railway Operating Revenues and Expenses—1930
C.N.R. and C.P.R. Combined

INDEX

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	C.N.R. All-inclusive System	C.P.R.	Total C.N.R. and C.P.R.
<i>Railway Operating Revenues.....</i>	\$ 250,968,101	\$ 180,022,387	\$ 430,990,488
<i>Expenses.....</i>	228,802,428	138,523,657	367,326,085
<i>Revenue from Railway Operations.....</i>	22,165,673	41,498,730	63,664,403
<i>Operating Ratios.....</i>	91.17%	76.95%	85.23%

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Railway Operating Revenues by Primary Accounts C.N.R. and C.P.R. Combined 1930

Railway Operating Revenues	C.N.R. All-inclusive System	C.P.R.	Total C.N.R. and C.P.R.
	\$	\$	\$
(1). <i>Transportation—Rail Line—</i>			
101 Freight.....	181,206,063	126,594,790	306,800,853
101a Govt. Contribution Maritime Frt. Rates Act 1927.....	2,362,205		2,362,205
102 Passenger.....	32,331,622	27,712,095	60,043,717
103 Excess Baggage.....	186,943	230,777	417,720
104 Sleeping Car.....	2,459,030	3,264,194	5,723,224
105 Parlour and Chair Car.....	345,840	240,331	586,171
106 Mail.....	3,922,525	3,673,117	7,595,642
107 &			
107a Express.....	13,357,727	5,465,184	18,822,911
108 Other Pass. Train.....	85,442	28,302	113,744
109 Milk.....	703,117	396,989	1,100,106
110 Switching.....	2,725,485	1,870,495	4,595,980
111 Special Service—Train.....	98,371	78,840	177,211
112 Other Frt. Train.....	6,755	36,701	43,456
113 Water Transfers Freight.....	10,018		10,018
114 —Passenger.....	22,586		22,586
115 —Vehicle and Live Stock.....	40,694		40,694
116 —Other.....	2,028		2,028
(2). <i>Transportation—Water Line—</i>			
121 Freight.....		1,332,084	1,332,084
122 Passenger.....		389,623	389,623
123 Excess Baggage.....		1,399	1,399
124 Other Passenger Service.....			
125 Mail.....		20,036	20,036
126 Express.....		14,378	14,378
127 Special Service.....			
128 Other.....		30,026	30,026
(3). <i>Incidental—</i>			
131 Dining and Buffet.....	1,607,055	1,621,703	3,228,758
132 Hotel and Restaurant.....		320,906	320,906
133 Station, Train and Boat privileges.....	170,941	46,088	217,029
134 Parcel Room.....	62,599	84,647	147,246
135 Storage—Freight.....	215,952	189,259	405,211
136 Storage—Baggage.....	37,541	34,269	71,810
137 Demurrage.....	484,874	216,509	701,383
138 &			
138a Telegraph and Telephone.....	5,887,594		5,887,594
139 Grain Elevator.....	309,576	728,041	1,037,617
140 Stockyard.....			
141 Power.....	3,363		3,363
142 Rents of Buildings etc.....	326,036	945,350	1,271,386
143 Miscellaneous.....	1,377,060	5,293,961	6,671,021
(4). <i>Joint Facility—</i>			
151 Joint Facility Cr.....	676,084	172,901	848,985
152 Joint Facility Dr.....	57,022	10,609	67,631
Total Railway Operating Revenues.....	250,968,101	180,022,387	430,990,488

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Railway Operating Expenses by General Accounts
C.N.R. and C.P.R. Combined, 1930

Railway Operating Revenues	C.N.R. All-inclusive System	C.P.R.	Total C.N.R. and C.P.R.
	\$	\$	\$
<i>Railway Operating Expenses—</i>			
Maintenance of Way and Structures.....	47,962,358	25,043,282	73,005,640
Maintenance of Equipment.....	49,367,985	30,022,641	79,390,628
Traffic.....	8,684,121	10,149,656	18,833,777
Transportation—Rail Line.....	112,259,304	65,962,202	178,221,506
—Water Line.....		1,029,035	1,029,035
Miscellaneous Operations.....	2,637,753	2,595,402	5,233,155
General.....	9,323,712	3,721,439	13,045,151
Transportation for Investment Cr.....	1,432,805		1,432,805
Total Railway Operating Expenses.....	228,802,428	138,523,657	367,326,085

RAILWAY CONDITIONS

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CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Railway Operating Expenses by Primary Accounts. C.N.R. and C.P.R. Combined 1930

Railway Operating Revenues	C.N.R. All-inclusive System	C.P.R.	Total C.N.R. and C.P.R.
<i>Maintenance of Equipment—</i>			
301 Superintendence.....	\$ 2,014,954	\$ 635,844	\$ 2,650,798
302 Shop Machinery.....	1,548,619	1,306,631	2,855,250
304 Power plant machinery.....	107,258		107,258
306 Power Substation Apparatus.....	925		925
308 Steam Locos.—Repairs.....	16,802,088	9,767,458	26,569,546
310 “ “ Retirements.....	346,019		346,019
311 Other Locos.—Repairs.....	63,275		63,275
313 “ “ Retirements.....			
314 Frt. Train Cars—Repairs.....	15,493,858	11,219,315	26,713,173
316 “ “ Retirements.....	2,131,158		2,131,158
317 Pass. Train Cars—Repairs.....	6,367,474	5,753,391	12,120,865
319 “ “ Retirements.....	97,941		97,941
320 Motor Equipt. of Cars—Repairs.....	228,217	18,323	246,540
322 “ “ Renewals.....			
323 Floating Equipt.—Repairs.....	232,593	88,838	321,431
325 “ “ Retirements.....	1,665		1,665
326 Work Equipt.—Repairs.....	1,462,845	977,770	2,440,615
328 “ “ Retirements.....	79,728		79,728
329 Misc. Equipt.—Repairs.....	24,787	7,526	32,313
331 “ “ Retirements.....	2,733		2,733
332 Injuries to Persons.....	385,801	160,937	546,738
333 Insurance.....	182,816		182,816
334 Stationery and Printing.....	53,742	27,763	81,505
335 Other Expenses.....	21,087	3,761	24,848
336 Maintaining Jt. Equipt. at Terminals..... Dr.	75,808	68,518	144,326
337 Maintaining Jt. Equipt. at Terminals..... Cr.	213,574	13,434	227,008
Depreciation—U.S. Lines only.....	1,518,562		1,518,562
329a Express.....	337,605		337,605
Total.....	49,367,985	30,022,641	79,390,626

SPECIAL COMMITTEE

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN RAILWAYS

*Railway Operating Expenses by Primary Accounts
C.N.R. and C.P.R. Combined, 1930*

Railway Operating Revenues		C.N.R. All-inclusive System	C.P.R.	Total C.N.R. and C.P.R.
		\$	\$	\$
<i>Traffic.</i>				
351	Superintendence.....	\$ 2,218,625	\$ 1,361,495	\$ 3,580,120
352	Outside Agencies.....	3,188,010	4,986,674	8,174,684
353	Advertising.....	1,875,004	2,934,672	4,809,676
353	Radio.....			
354	Traffic Associations.....	111,071	116,436	227,507
355	Industrial Bureaus.....	149,586		149,586
356	Colonization—Agric. and Nat. Resources.....	545,110	81,437	626,547
357	Insurance.....	261		261
358	Stationery and Printing.....	423,422	408,130	831,552
359	Other Expenses.....	173,032	260,813	433,845
Total.....		\$ 8,684,121	\$ 10,149,656	\$ 18,833,777

CANADIAN NATIONAL RAILWAYS

CONSOLIDATION OF CANADIAN PACIFIC AND CANADIAN NATIONAL RAILWAYS

Railway Operating Revenues

C.P.R.

Total
C.N.R. and
C.P.R.

3

3

5

371	Superintendence.....	4,109,520	2,354,570	6,464,090
372	Dispatching Trains.....	1,512,189	1,146,118	2,658,307
373	Station Employees.....	17,139,173	11,096,149	28,235,322
374	Weighing, Inspection and Demurrage Bureaus.....	84,493	32,736	117,229
375	Coal and Ore Wharves.....	91		91
376	Station Supplies and Expenses.....	1,414,482	885,796	2,300,278
377	Yardmasters and Yard Clerks.....	2,946,491	1,064,359	4,010,850
378	Yard Conductors and Brakemen.....	5,139,388	3,442,910	8,582,298
379	Yard Switch and Signal Tenders.....	701,789	258,918	960,707
380	Yard Enginemen.....	3,729,073	2,362,295	6,091,368
381	Yard Motormen.....	35,310		35,310
382	Fuel for Yard Locomotives.....	3,994,487	2,149,898	6,144,285
383	Yard Switching Power Produced.....	9,233		9,233
384	" " Purchased.....	59,402		59,402
385	Water for Yard Locomotives.....	189,674	95,771	285,445
386	Lubricants for Yard Locomotives.....	46,697	18,494	65,191
387	Other Supplies for Yard Locomotives.....	34,465	15,251	49,716
388	Enginehouse Expenses—Yard.....	1,626,554	406,424	2,032,978
389	Yard Supplies and Expenses.....	1,334,455	84,975	219,430
390	Operating Jt. Yards and Terminal..... Dr.	1,511,039	972,734	2,483,773
391	" " " Cr.	1,534,420	604,232	2,138,652
392	Train Enginemen.....	10,481,369	8,020,652	18,502,021
393	Motormen.....	143,692	11,061	154,753
394	Fuel for Train Locomotives.....	17,242,894	12,138,696	29,381,590
395	Train Power Produced.....	11,923		11,923
396	" " Purchased.....	43,653	8,416	52,069
397	Water for Train Locomotives.....	1,046,346	717,462	1,763,808
398	Lubricants " ".....	312,097	179,825	491,922
399	Other Supplies for Train Locomotives.....	181,746	114,185	295,931
00	Enginehouse Expenses—Train.....	3,967,630	2,718,794	6,686,424
01	Trainmen.....	11,840,185	8,268,805	20,108,990
02	Train Supplies and Expenses.....	6,011,556	3,441,553	9,453,109
03	Operating Sleeping Cars.....	1,291,801	1,982,979	3,274,780
04	Signal and Interlooker Operations.....	628,535	303,718	932,253
05	Crossing Protection.....	677,917	140,950	818,867
06	Drawbridge Operation.....	119,262	31,560	150,822
07	Telegraph and Telephone Operation.....	4,720,254	404,010	5,124,264
08	Operating Floating Equipment.....	1,142,704		1,142,704
09	Express Service.....	6,239,097		6,239,097
10	Stationery and Printing.....	571,594	411,692	983,286
11	Other Expenses.....	246,039	37,559	283,598
12	Oper. Jt. Tracks & Facilities..... Dr.	258,774	217,866	476,640
13	" " " Cr.	544,713	174,914	719,627
14	Insurance.....	76,060		76,060
15	Clearing Wrecks.....	315,027	89,309	404,336
16	Damage to Property.....	105,239	27,895	133,134
17	" " Livestock and Right of Way.....	60,338	39,842	100,180
18	Loss and Damage—Freight.....	974,234	607,041	1,581,275
19	" " —Baggage.....	6,652	4,611	11,263
20	Injuries to Persons.....	1,203,817	435,471	1,639,288

Total Transportation—Rail Line.....	112,259,304	65,962,202	178,221,506
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Railway Operating Revenues	C.N.R. All-inclusive System	C.P.R.	Total C.N.R. and C.P.R.
	\$	\$	\$
<i>Transportation—Water Line—</i>			
431 Operation of Vessels.....		901,237	901,237
432 " Terminals.....		69,578	69,578
433 Incidental.....		58,220	58,220
Total Transportation—Water Line.....		1,029,035	1,029,035
Total Transportation—Rail Line.....	112,259,304	65,962,202	178,221,506
Total Transportation— Rail and Water Line.....	112,259,304	66,991,237	179,250,541
<i>Miscellaneous Operations—</i>			
441 Dining and Buffet Service.....	2,515,585	2,183,079	4,698,664
442 Hotels and Restaurants.....		294,039	294,039
443 Grain Elevators.....	63,344	118,284	181,628
444 Stock Yards.....			23,607
445 Producing Power Sold.....	23,607		23,607
446 Other Miscellaneous Operations.....	35,158		35,158
Total.....	2,637,753	2,595,402	5,233,155
<i>General Expenses—</i>			
451 Salaries and Expenses Gen. Officers.....	1,109,945	446,589	1,556,534
452 " " Clerks and Attendants.....	4,031,378	1,722,409	5,753,787
453 Gen. Office Supplies and Expenses.....	600,493	153,644	754,137
454 Law Expenses.....	565,227	273,941	839,168
455 Insurance.....	856	340,556	341,412
456 Relief Dept. Expenses.....	27,500		27,500
457 Pensions.....	2,158,117		2,158,117
458 Stationery and Printing.....	171,967	145,166	317,133
459 Valuation Expenses.....	111,284		111,284
460 Other Expenses.....	526,438	622,055	1,148,493
461 Gen. Jt. Facilities.....	Dr. 30,435	17,081	47,516
462 " ".....	Cr. 9,927		9,927
Total.....	9,323,712	3,721,439	13,045,151
Transportation for Investment..... Cr.	1,432,805		1,432,805
Total Railway Operating Expenses.....	228,802,428	138,523,657	365,326,085

1938
THE SENATE OF CANADA



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

QUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 12

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Edward Beatty, G.B.E., Chairman and President, Canadian Pacific
Ry. Co.
T. C. Macnabb, General Superintendent, New Brunswick District,
C.P. Ry.

EXHIBIT:

1. Statement by Sir Edward Beatty on savings from unification, to
the Royal Commission on Railways and Transportation.

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1938

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, May 24, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon. Mr. Graham): What do you propose going with this morning, Mr. Biggar?

Mr. BIGGAR: Mr. Chairman, Sir Edward Beatty, Chairman and President of the Canadian Pacific Railway Company, is in attendance this morning. We can hear him, if the committee desires.

The CHAIRMAN (Right Hon. Mr. Graham): Shall we hear Sir Edward Beatty?

Hon. Mr. DANDURAND: I should like first to make a statement through the press. The other day the committee decided that any persons desiring to be heard here should first send to the Chairman or Mr. Biggar a statement explaining briefly what they wish to say. I proposed that procedure, with the concurrence of my right honourable friend Senator Meighen. But I omitted to add that any such statement should not be longer than two hundred words. A decision will be made at the proper time as to whether any of the statements we receive have real meat in them. A number of letters have come to me from persons asking that they be heard. One gentleman says, for example, that he wishes to bring with him, to support his views, some witnesses now in New York who have come from Europe. Well, we want to know, first, what the views are. And, I repeat, the outline of the views should not go beyond two hundred words.

Sir EDWARD BEATTY, Chairman and President of the Canadian Pacific Railway Company, appeared as a witness and took the stand:

By Mr. Biggar:

Q. Sir Edward, I understand you have a memorandum prepared that explains the situation generally, and that you would like to open what you have to say with that?—A. Yes, that is correct.

Q. Members of the Committee have been supplied with copies of that memorandum?—A. Yes.

Q. Will you please proceed?—A. (Reading)

Honourable Members of the Committee:

It is not my intention to take your time for any lengthy discussion of the facts which led to the situation which your Committee has been appointed to examine. On the other hand, you may permit me, in order to facilitate my approach to the questions before you, to recite, briefly, certain historic facts.

STORY:

The Canadian Pacific Railway Company is not a corporation of an ordinary type. It is an institution created, to carry out a national purpose, by the

joint action of the Government of Canada and private investors appealed by that Government to assist it in fulfilling the terms of that other contract which the existence of the Dominion as a nation depends.

You are all familiar, I assume, with the history of the circumstances which the Canadian Pacific Railway was constructed. In order to obtain the union of the scattered Colonies of British North America, a contract was undertaken between their Governments, and part of that contract involved the construction of two railway systems. One was to connect the Maritime Provinces with Central Canada—using for that purpose a route which, to be entirely on Canadian soil, must, of necessity, be somewhat uneconomic. It was agreed that that railway should be constructed at the public expense, and the Intercolonial was thus built.

The other necessary railway project was one to connect Central Canada and, through the Intercolonial, the Maritime Provinces—with the Province of British Columbia.

The history of this project may be summed up quite simply. The Government of Canada undertook to construct it as a public work, but, unfortunately, difficulties of construction and the resulting cost soon made it appear that the task might be one which might overburden the finances of a young nation and be so long drawn out as to defeat its object. So grave did the difficulties become, that the Government of the day found it necessary to abandon this form of project, and to invite private interests to participate in the work.

As you are aware, the original railway system of Canada was the Grand Trunk—a corporation financed in England, which, in obtaining a convenient route between the Middle West of the United States and the American seaboard, had found it advisable to pass over Canadian soil, and which, in this somewhat indirect fashion, became an important factor in transportation in the present Provinces of Ontario and Quebec. That Company was offered the right to participate in constructing a transcontinental railway system. Because its proprietors did not believe that such a project would be economical, if the line were constructed entirely on Canadian soil, the Grand Trunk refused the invitation, and, indeed, used its great influence in the financial markets of England to discredit any possibility of success for a company whose lines were constructed entirely on the soil of the Dominion.

The Dominion Government, regarding this condition as an essential of the construction of a national transcontinental railway, abandoned negotiations with the Grand Trunk, and succeeded in inducing a group of Canadian business men to undertake the rash adventure of building a railway from Montreal to the mouth of the Fraser River.

It is thus a fact that the Canadian Pacific Railway is the first and most vital of all the public works of the Dominion of Canada. Its relations with the Government were established by a formal contract, and while details of the terms of that instrument have been varied from time to time, the Company holds, both a right and an obligation, the status of a public enterprise constructed primarily to assure the country adequate transportation facilities. It was quite realized by the Government of the day that private capital used for this purpose was entitled to make legitimate profit. Indeed, there is no better evidence of this than that the Government agreed to transfer to the syndicate the complete portions of the railway, a sum of money in cash and certain Crown lands—not as a gift, but as a condition of a contract.

At the time that this transaction was undertaken the only comment made was concerning the rash spirit in which the syndicate had undertaken its obligations. Fortunately for them, and for the Dominion, the adventure proved one of modest profit, and the syndicate, through its successors, the Canadian Pacific Railway, has been able to fulfil the onerous obligations which it undertook, not only up to the letter of the contract, but far beyond that.

[Sir Edward Beatty, G.B.E.]

It is not my intention, if your Honourable Committee will permit, to explore further than this the causes which have led to the existing railway problem, to my attempt to offer a solution. With your consent I should like to fine my evidence to explaining the origin, the nature and the effects of the situation which I suggest.

THE SHAUGHNESSY PLAN:

As you are aware, the first formal suggestion made, on behalf of the Canadian Pacific Railway, looking to unified operation of the two railway systems, was that made by the first Lord Shaughnessy in a memorandum addressed to the Government on April 16th, 1921. At that time the country was just emerging from the primary effects of the Great War and the economic outlook was wholly unsettled. The suggestion was substantially that the Canadian Pacific Railway should be transferred to ownership of the Government; that the Government would, as a *quid pro quo*, agree to guarantee a fixed annual dividend to the shareholders of the Canadian Pacific in perpetuity. There was the further suggestion that, in order to avoid any danger of political interference, the Canadian Pacific Railway should be given a contract to operate the combined systems.

THE SENATE COMMITTEE, 1925:

In 1925 a Committee of your House was appointed to consider the question, and in due course a report was prepared and recommendations were made that the two railway systems should be merged for purposes of administration and operation under the direction of a Board of fifteen directors—five named by the Canadian Pacific Railway, five named by the Government, and five chosen from the first ten; that the Canadian National Railways be recapitalized; that the Canadian Pacific Railway be guaranteed an agreed dividend on its stock, and, in the event of a surplus being earned, a dividend at the same rate as paid by the Canadian Pacific Railway be paid to the Government on the new capitalization of the Government railways. After the payment of these dividends, any surplus would be divided between the Canadian Pacific and Canadian National Railways, in proportion to the valuation of the two systems. This Report was approved in by your Honourable House.

The year 1925 happened to be that in which a temporary return of prosperity to the world produced conditions in which the pressure of the railway problem was forgotten. It ushered in the period in which the Government authorized very large expenditures upon its railway activities.

THE ROYAL COMMISSION, 1931-2:

By 1931 depressed conditions of business made it clear that a railway problem still existed, and, in discussing this matter with the late Sir Henry Thornton, I suggested to him that he should propose a Royal Commission to investigate means for providing relief for railway losses. The result was the Royal Commission to Inquire into Railways and Transportation in Canada.

This Royal Commission brought in a Report—to my surprise, in view of the trend of the investigation—in which the idea of unification was set aside on the ground that the time was not opportune. It is well known—indeed, it is stated in the Report—that opinion of the Commission was divided. The country had only lately experienced the onset of depression, and, in 1932, it was unusual to hear the suggestion made that, within a year or two, the Dominion would enter on an even greater period of expansion and prosperity than it had experienced. It was, indeed, not unusual to find those who really hoped at that time that improving business conditions would soon place the Canadian National Railways on a sound earning basis.

In the circumstances the Royal Commission recommended the establishment of a system providing for more or less enforced co-operation between the railway companies.

I ask your Honourable Committee to note that the suggestion so often made to the effect that the Royal Commission condemned unification is not correct. Some members of the Commission—in the words of the report—"Would have preferred a plan which would have established a complete dissociation of the Government of Canada from the responsibilities of competitive railway management, or of any direct interest therein." The report was frankly a compromise, and it was made because the Commission hoped that it would, in their words, "afford early relief to the Federal Treasury." In addition, the Commission said "We feel compelled, as a matter of public duty, to strike a serious note of warning to the people of Canada. Unless the country is prepared to adopt the plan we have proposed, or some other equally effective measures, to secure the efficient and economical working of both railway systems and thereby not only reduce the burden on the federal treasury but improve the financial position of the privately-owned railway, then the only courses that would be left would be either to effect savings in national expenditures in other directions, or to add still further to the burdens under which the industry of the country are suffering by the imposition of yet further taxation. Failing the adoption of one or other of these courses, and there are obvious limits to their application, the very stability of the nation's finances and the financial credit of the Canadian Pacific Railway will be threatened, with serious consequences to the people of Canada and to those who have invested their savings in that railway."

In the course of its hearings the Royal Commission heard evidence, among other, from the late Sir Henry Thornton and myself. In preparing this evidence we were both endeavouring to accede to specific requests made by certain members of the Commission, as well as to give evidence along general lines. Sir Joseph Flavelle, for instance, was very anxious to obtain information as to the savings which might result from unified operation of the railway systems.

The then President of the Canadian National stressed several points. One of them, that, while the depressed business conditions of 1931-1932 had brought the matter to a head, this had merely aggravated existing conditions. Two, that the Canadian railways were, in his opinion, "subsidizing out of their earnings the shippers of grain and grain products of Canada," and that "as far as the Canadian National is concerned" the public "can have low freight rates, unremunerative operation and increased taxes, or they can have higher freight rates, remunerative operation and lower taxes." He stressed especially the fact that the Canadian freight rates are lower than those of the United States. He pointed out particularly that the two competing railways must maintain the same freight rate structure. In the third place, he went on record that the desirable policy would be for the railways "to reach an agreement with each other to divide traffic on some reasonable basis." He argued that "whether times be evil or good, there is never any excuse for waste," and insisted that one of the advantages of the depression was that it would bring home to the railways the necessity of avoiding wasteful competition. Fourthly, he proposed the unification of competitive city ticket offices, the pooling of passenger services, the co-ordination of freight services, the elimination of duplicate trackage, the consolidation of telegraph companies and hotel systems, the joint use of local facilities and the interchange of trackage rights wherever economic. Finally, its President impressed upon the Commission the difficulties inflicted on the Canadian National Railways by political pressure.

On my own part, I offered the Royal Commission a suggestion which is substantially the same as that which, more fully developed later, has come to be known as unification.

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UNIFICATION:

There are merely a few general points which I regard as vital to a plan of railway unification. One is that the two railway companies should continue to own their present properties. It is not my intention to suggest that the Canadian National should be transferred to Canadian Pacific ownership, or the Canadian Pacific to Government ownership. The securities of the companies would remain in their present ownership. No question is involved of the value of the properties, or of any new capital set-up.

Another point is that I have not suggested that any guarantee should be given to the Canadian Pacific of a return on its stock or other capital issues. I say this because I am convinced that no guarantee of interest on the debenture stock and bonds of the Canadian Pacific will be necessary. As to dividends on the stock, I do not see that it is necessary to give shareholders any protection beyond a reasonable opportunity for the company which they own to earn a reasonable profit.

The third of my fundamental points is that each group of owners should continue to receive under unification the net earnings which past experience indicates their company would have received as an independent institution, and that the additional net earnings made available by unification be shared between them on an equitable basis. I assume that the Government would directly receive at least half of these savings. These details, of course, could only be determined at the time of the formal contract.

My fourth basic theory is that adequate provision should be made to prevent the unified company from neglecting its duty as a public utility, and depriving any community of necessary railway service. This, of course, can be easily arranged, by adding, if necessary, to the strength and powers of the Board of Railway Commissioners. I may remind you that the Board among its very wide powers to-day controls the cancellation of trains, the closing of stations and the abandonment of lines.

My fifth, and, in some ways, the most important consideration, is that adequate provision should be made to protect the rights of railway workers. I propose, with your permission, to deal with this particular question at greater length later, but satisfactory precautions of this nature are a prerequisite of the acceptance by the Canadian Pacific Railway Company of any plan of unification.

Since it has been suggested by some of the critics of my plan that I am not sufficiently specific, may I point out that I am convinced that the conditions which I have just outlined are quite specific enough to ensure that any plan of unification will be entirely without danger to the public interest? The suggestions which I have offered are definite enough to form the basis of a contract which would readily be arrived at by negotiation between authorized representatives of the Government and of the Canadian Pacific Railway Company. When, I hope, these conferences are undertaken, further details of the arrangement will undoubtedly arise for examination and will be dealt with as they appear. I do not see how I can make a more specific suggestion except as the result of such conferences.

Obviously, no formal contract can be arranged until the conferees have reported to their principals. Those acting on behalf of the Canadian Pacific Railway must obtain the authority of its owners, and the representatives of the Government must receive approval of the responsible Government of the day. The suggestion that any arrangement could be entered into on such a basis as would not be in the public interest is, I submit, merely an assumption that our system of democratic and responsible government is not functioning.

The advantages of unification are apparent. They would include, first: considerable relief for the Treasury of the nation. It is true that we could scarcely expect unification to relieve the Treasury of all its burdens arising from

the present railway situation. Only in the event of a radical change in world and Canadian economic conditions could this occur. However, I am convinced that the relief which could be afforded would be most important.

Second, unification would permit the Canadian Pacific to earn a fair return on prudently invested capital, and I am confident that I do not need to impress upon you the importance of this to the nation, as well as to the investors themselves.

Third, the savings of unification would leave both railway companies in a better position to carry on the inevitable process of remodelling, modernizing and improving the railway services of the Dominion. As a railway man I can assure you that we must continue to deal with this task extensively and that in present circumstances, the efforts of both railway companies are hampered.

In the fourth place, unification, by stabilizing the railway industry, aids in freeing us from the now imminent danger of forced abandonment of light traffic lines to an increasing extent. So much has been said of the mileage to be abandoned under unification that I should like to remind you that both railway systems are increasingly pressed, by financial exigencies, to search for opportunities for line abandonment, and that, despite certain difficulties in obtaining permission for these abandonments, they are becoming inevitable. I am afraid—I much regret to say it—that there are many established communities in Canada which will not be able to obtain regular railway service in the future unless something be done to free both railway companies from their present financial stresses.

Fifthly, unification will permit the stabilization, on what I hope will be a lasting foundation, of the employment of railway workers. At present the large body of our citizens is engaged in an industry which is in an unsound economic position. For the moment the Government may be able to maintain the present situation by the providing of large sums annually for railway deficits. This cannot continue indefinitely, and I am honest in saying that no one can be a better friend of railway workers than the man who urges that the industry on which their livelihood depends should be rescued from a condition of insolvency.

On this point, I may say that I am not alarmed over the outlook for the Canadian Pacific Railway. By stringent economy that Company has been able to survive the stresses of recent years, and I look forward with confidence to its future.

There are other incidental advantages which are not without importance. Certainly, I feel assured that all members of the national legislature would welcome the removal of railway transportation from the political field. Another advantage is that the unified system would be in a position to meet the competition of other forms of transport with an efficiency which would be much greater than at present.

THE ESTIMATES OF SAVINGS:

Naturally, much interest is displayed in the accuracy of the various estimates of savings which have been offered. In my own case, I have repeatedly quoted the fact that a Committee of Canadian Pacific officers, after an exhaustive study, concluded that, given conditions similar to those of 1930, annual savings of \$75,300,000 could be realized by the unified railways.

I have been prepared to accept the substantial accuracy of this estimate, in view of the extent of unnecessary duplication of railway services. Your Committee, however, may desire some account of the basis and methods used for this calculation, and, without being too technical, I shall endeavour to explain the origin of the figures. Estimates of savings were submitted by both the Canadian Pacific and the Canadian National Railways as the result of requests

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them of the Royal Commission. Three estimates were made—\$75,300,000 by the Canadian Pacific, based on 1930; \$50,340,000 by the Canadian National, based on 1931—practically the level of traffic in 1937, and \$56,440,000 by the Canadian National on a year of normal traffic, which was taken as 30 per cent above 1931, or practically the level of traffic in 1930.

I should like to explain to your Committee the precise procedure followed in making the estimate offered by the Canadian Pacific Railway.

When the Royal Commission requested that the Canadian Pacific exhibit money its estimate of the amount of railway duplication, I arranged for a committee of our officers from the operating, engineering, traffic, mechanical and accounting departments to convene and to prepare an answer to the Commission's request.

They surveyed the existing supervisory organizations of the two railways as independent units, and the probable organization of a railway as unified; the location and function of the various lines of railway; the passenger and freight services; and the terminal and shop facilities. Each phase was assigned to officers qualified to deal with it. When information covering a special problem was not available, the senior officer in the territory affected was consulted. In other words, the resources of the entire organization were used by the committee in its work. The committee understood they were not trying to determine the maximum limit of savings, but only what could reasonably be expected under normal conditions.

In addition to savings resulting from unification of actual operations, there are other advantages. Account must be taken also of the savings in future capital expenditures. In providing for the normal growth of traffic and changes in its character, the extension of one plant would obviously cost less than the extension of two. This consideration would apply throughout the entire scheme of additions and betterments necessary to adapt the system from time to time to the use of new machinery and methods. I regard this as a most important element in unification, and one involving a very large item of saving.

As has already been pointed out, our estimate was offered with two prepared by the Canadian National Railways. One of those was a figure of \$56,440,000, based on a year in which traffic would be 30 per cent above the volume of 1931. This is a little over the level of traffic in 1930, and it is, therefore, reasonable to compare the Canadian Pacific figure of \$75,300,000 with the Canadian National estimate of \$56,440,000.

Close examination of the two estimates shows that both included economies in reduction in general overhead expenses, traffic solicitation, advertising and general supervision; from line abandonments; from re-routing of traffic; from increased car and train loading; from consolidation of repair work; from adjustment of passenger train services; from operating joint freight and passenger terminals; from consolidating express and telegraph services; from action in accounting, and other expenses. Individual items appear in each estimate which are not in the other, but, considering that two quite different methods were followed in compiling the estimates the close similarity in result is unquestionable proof that, at the time of the Royal Commission, responsible officers of both companies were in general agreement that the savings to be derived were substantial.

It is only proper to point out that the Canadian National officers, in preparing their estimates, which were stated to be based on the experience gained from a consolidation of the properties of the Canadian National, expressed the opinion that, lacking the stimulus of competition with another system, the amount of the estimated economies was to a certain degree questionable, and that the economies as planned might meet with opposition from the public and employees. For my part, while recognizing these problems, I felt and still feel that the necessities of the case require action, and that the estimated economies, if wisely and gradually carried out, be achieved without injuring the

shipping public, the communities involved or the railway employees. In address in 1926, I drew attention to these difficulties but, in view of events since then, I am certain that there is no option but to unify the systems. Evidence of experienced railway officers on this point will be available if your Committee desires to hear it.

There are those who admit that, at the time of the Royal Commission hearing, the estimates were sound, but argue that since then savings have been made by both railway companies on such a scale that the economies estimated in 1926 could no longer be made.

This argument reflects some misunderstanding of the case. The estimates of 1932 were prepared to show the savings which could be secured by joint action only, not the economies which could be carried out by each railway independently, and are, therefore, just as valid to-day as then. Of course, it is admitted that improvements in railway technique have altered the situation to some extent, and I might add that these improvements involve savings, but there are only two new or important factors which might alter the amount of savings—(a) co-operative savings secured by joint action, which, including projects in effect and agreed upon, total \$1,771,000 per annum, and (b) variation in amount of duplication which changes with the traffic volume. As to the latter, estimates were for a normal year, taken as 1930, and are, therefore, still the estimates which should be considered. In 1938 they would be less, but in a year of greater traffic than 1930 they would be more. As a basic year, 1930 may still be considered as a fair average. Those who invite us to await an early return to traffic at the level of 1927 or 1928 as normal must admit that estimates on the lower level of 1930 are reasonable and conservative.

I will not try, at this time, to take you through my evidence before the Royal Commission or the mass of detail which the work of the Canadian Pacific Committee entailed. The conclusion reached is not to be taken as a precise amount for which a definite plan of action has been worked out, but as the considered judgment of a group of responsible officers as to the level of probable savings. With the Royal Commission I stressed that some things were probably included in the estimate which, in practice, would not be realized, but that, on the other hand, many known items of savings were not included, because it had not been practical to put a value on them, though they were certain to be secured. The character of these savings will be indicated to you. The Committee's conclusions were for the information of a Royal Commission; the task was seriously undertaken and capably discharged, and its results can be accepted as a reasonable and conservative conclusion by men accustomed to deal with the problem which would be involved when adopting the plan of unification. It is an estimate which supports the case for unification, but is not the only argument.

An item of the estimate, which has only moderate importance, in so far as the amount of saving is concerned, but has provoked most of the discussion, is that of line abandonment, and it is desirable that this be seen in its proper perspective. It is only one of perhaps twenty general items considered. The Commission has asked both railways what mileages they thought could be abandoned if the railways were operated as a unit. It was natural that each railway should include in its estimate the savings from the line abandonments about which the Commission had enquired. The Canadian Pacific had estimated total maintenance of way savings of \$14,888,000; examination of the estimate shows that only a portion of these savings would arise from the fact that duplication could be eliminated in respect of approximately 5,000 miles, from which maintenance savings would be about \$7,000,000, or about \$1,400 per mile. This compared with average maintenance expenditures per mile of line in 1930 of Canadian Pacific of \$1,672 and of Canadian National \$2,028. The Canadian National estimated abandonments of 2,434 miles. It is not vital to the question, whether we carry out line abandonments on the general scale I had indicated, or on the scale of the plan put forward by the Canadian National. Where two duplicate

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in lines are involved, if it were decided not to abandon either, undoubtedly each of the economy could be secured by altering the standard of maintenance one, and avoiding its future improvement. The Board of Railway Commissioners now protects the public interest in connection with line abandonment, and it is futile to attempt to anticipate their specific action.

One further point: We have the interesting fact that the Royal Commission is informed that from \$30,000,000 to \$35,000,000 per annum could be saved by measures of compulsory co-operation. This may well have been one of the most important factors in leading the Commission to recommend that compulsory co-operation should first be tried. Later, I shall offer some reasons for the failure of co-operation to provide an adequate solution of the problem, but, at this point, I may say that, since co-operation, carried to the extent where it would afford important savings, would have to employ many of the same measures taken for its purpose under unification, an estimate of \$35,000,000 to be saved by co-operation is fairly good evidence that much more could be saved by complete unification. As shown by the evidence before the Commission, the estimated savings of \$30,000,000 to \$35,000,000 per annum did not take into consideration economies to be obtained by dispensing with duplicate executive, supervisory, auditing, accounting and engineering staffs, and by carrying out complete unification of freight express and other services and facilities, as would be possible under complete unification.

I assume that your Honourable Committee will wish to explore this subject more fully, and, when you so desire, I shall be glad to offer a detailed explanation of our estimate, and to have available officers of the Company who have an intimate knowledge of the subject to appear before you and give evidence in support of the methods followed and the bona fides of the result.

I have never hesitated to use the 1930 basis for the reason that the process of unification will take some years. I think that your Honourable Committee will agree that we may hope for conditions in which the volume of traffic of 1930 may be attained again by the time that unification becomes wholly effective. Indeed, I am afraid that, if this hope is vain, more serious measures than unification may have to be contemplated to solve the nation's transportation problem.

OTHER SOLUTION OFFERED:

One fact which interests me is that, up to the present time, there has been no alternative offered to unification—except co-operation. The plan suggested in the Senate Committee Report of 1925 was unification. The nearest thing to an alternative which is offered is that we should possess our souls in patience and wait for the return of such prosperity as to eliminate railway deficits.

On that point I have only one thing to say—that this is the same prophecy which, commencing with the Drayton-Acworth Report recommending that the Government should take over the railways which now constitute the Canadian National Railways, has been used by everyone who has opposed constructive action to solve the railway problem.

In recommending the amalgamation of the Canadian Northern, Grand Trunk, Grand Trunk Pacific, and Canadian Government Railways in 1917, the Drayton-Acworth Commission stated:—

"If then we take as a starting point a deficiency of roughly \$12,500,000 a year . . . ; if we assume that this will not seriously increase for the next year or two, but will not, on the other hand, diminish, . . . then in order to reach a position of solvency, the Dominion Railways would need to earn an additional gross income of some \$50,000,000, and to retain one-quarter of that amount as net. The present gross income is well over \$100,000,000;

and it is not unreasonably sanguine to hope that it may increase 50 per cent in the course of six or seven years, if Canada continues to progress at a normal rate."

Five years later, in 1922, gross income had more than doubled, but the deficit had increased more than fourfold to \$58,000,000. In spite of this, optimism still said "that sufficient traffic to sustain the National System can be developed within a reasonable period of normal progress." In 1926, when revenues had increased to \$270,000,000, there was still a deficit of approximately \$30,000,000, but the statement was made that "the C.N.R. was rapidly approaching the day when it would cease to be a burden upon the Canadian people." Much happened between 1926 and 1932; in one year the revenues were almost three times greater than in 1917, but even then the deficit was nearly \$30,000,000. In 1932, the deficit was almost as great as the gross earnings in 1917, but the assertion was repeated that: "If we were to-day on a normal trend of gross earnings, we would be earning an amount sufficient to pay interest on all the securities in the hands of the public." It will be noted that this forecast did not take into account interest on the Government's advances to the Railways.

In 1935, it was said that: "It is not fewer miles of track, but more freight that is the solution of Canada's railway problem" and in 1937 that "the solution of Canada's railway problem is not to be found in cutting operating costs further but in building up traffic, and obtaining reasonable rates for that traffic by regulation."

I have always felt that the problem should be dealt with on the basis of the actual existing situation. In view of the failure of these forecasts to materialize I suggest that we approach the problem with greater regard to reality.

THE DIFFICULTIES OF CO-OPERATION:

The suggestion has been made quite frequently that, since unification of the railways would involve certain consequences which many of our citizens believe to be dangerous or objectionable, it is the duty of the railways to explain why the method of co-operation laid down in the Canadian National-Canadian Pacific Act of 1933 has not been used more extensively than has been the case.

Your Committee has already reviewed the whole process of compulsory co-operation, as recommended by the Royal Commission, and made mandatory by the Canadian National-Canadian Pacific Act of 1933. You are aware that many co-operative projects have been examined, and some accepted by both railway companies, and put into effect.

In addition certain projects have been studied, and abandoned owing to belief, on the part of the representatives of both of the railway companies, that they were not economically desirable.

Yet other projects have been favourably reported upon and approved, but are not yet in effect, and others are under study, or are listed for consideration.

Besides these operations of the Joint Co-operative Committee, the railway agreed to consider the unification of express and telegraph services, but, on presentation to Parliament of the empowering legislation, objections were raised and the Government withdrew the bills.

Recently, by direct negotiations under the authority of the Act, it has been possible to arrive at an arrangement to meet the situation produced at Vancouver by the construction there of a new hotel.

I might intimate there that Mr. Hungerford, before another committee, was asked who initiated the negotiations for joint operation at Vancouver, and he said he could not say definitely, because the first suggestion was made so long ago. I think that is a very correct answer, because my recollection is that five or six years ago a suggestion was made by the contractors of the Canadian National hotel. It was discussed by me with Mr. Hungerford, and with the

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Government, but inasmuch as the Government had not then made up their minds to proceed with the completion of the hotel, nothing came of it. In November, 1936, I wrote to Mr. Hungerford making a proposal in respect of this and other things, and as a result of that direct negotiations between him and myself, and between the Executive Committees of the Canadian National and the Canadian Pacific, an agreement has been practically concluded, but not signed.

In no case, has either of the railways invoked the right to ask for the appointment of a tribunal to deal with any project on which agreement had been found impossible.

I can assure you that the Canadian Pacific Railway has taken its obligations under the Act seriously, and I must assume that the attitude of the Canadian National Railways has been identical. Thus, in view of the comparatively small savings accomplished by co-operation under the provisions of the Act, I believe that I am right in saying that there must be something wrong with the system—not with its execution, even though that has been disappointingly slow.

It is not surprising to me that this should be the case. Co-operation and competition scarcely seem suitable bedfellows. Co-operation and compulsion seem almost less suited for companionship. It is a fact that the two great railway systems in this country are competing for business, and it is inevitable that, in any attempt to unify their services piecemeal, there will be certain difficulties. I should like to point out how these make co-operation an unsatisfactory substitute for unification.

Co-operation, under the Act, is to be carried out by two competing companies which retain their independent operating organizations. Unification, the term is here used, is a plan by which the properties and services of the two railways, on such detailed terms as may later be arranged, will be entrusted to a single operating organization. As has been said, the plan, as now suggested, leaves ownership of the properties in its present hands and contemplates joint operation for joint interest. The distinction between these plans, in their effect on efforts to eliminate duplication, is an essential one.

Unification is a general plan which, once adopted in principle at the executive centre, is then carried out throughout the railway system. Co-operation is an attempt to build up individual projects of unification, each of which must, in the end, come to the executive for approval.

Whenever a measure of co-operation is studied, it is discovered that one of the difficulties in obtaining from it all the savings possible is that to do this would require the consolidation of other services or facilities. For example, wherever train services are pooled, one of the limits to the advantage to be obtained is that the new pooled service will still have to use yard and shop facilities which have not been pooled. In some cases this actually prevents the completion of an otherwise desirable project; in other cases it means that the limited pooling which is finally adopted does not accomplish all the savings which it might.

Unification, on the contrary, starts with the assumption that all possible savings are to be made, within the limits of the plan as finally adopted. Therefore, it does not matter whether you start by trying to pool shops or by pooling train services. At whatever point it is discovered that any difficulty is presented to the pooling of one service by the fact that another type of service is not pooled, this can at once be overcome. All the savings which are possible of attainment not only become automatically apparent, but are more fully realized.

In addition, the officers engaged in a process of unification would have no reference to their activities except the rules of business, the terms of the unification contract, and the provisions of the statute authorizing such unification. The officers engaged in attempts at limited and piecemeal co-operation necessarily find their hands tied by the obligation that nothing which they do may interfere with the maintenance of a sound competitive position for the system which employs them.

To take a case: To instruct the officers of the two companies to co-operate in routing trains into one or other station will accomplish minor savings. They must keep in mind, at all times, that this routing may, in the case of terminals or junctions, decidedly affect the probable choice by passengers of the route to be followed for further travel, beyond the territorial limits of the co-operative project under discussion. It must be clear how serious a limitation this is to intelligent co-operation, when you compare it with general instructions to officers to remove duplicate routes of travel, and all the facilities which exist for them.

The failure of either of the railway companies to request the appointment of a tribunal to complete a detailed item of co-operation on which agreement was not reached is quite natural.

I might say there, gentlemen, if you will permit me, that if it was a mistake in our not applying for appointment of a tribunal, I must bear my share of the responsibility. I had numerous discussions with Judge Fullerton and Mr. M. Hungerford, and I think that really we were of one mind that we should not be furthering the cause of co-operation if we started that system. I do not believe that I could put it any better than it has been put in the Canadian National annual reports of 1934 and 1935. Perhaps these parts of the reports have been filed here?

Mr. BIGGAR: No.

The WITNESS: Then, it may be well to read these extracts. The first one is from the annual report of the Canadian National Railways, 1934, page 8:

The Act of 1933 provides for the constitution of Tribunals, presided over by the Chairman of the Board of Railway Commissioners for Canada, to which shall be submitted for adjudication and determination any disputes which may arise between the two railway companies, and in the course of the year under review there was an occasion when it might have been proper to apply for the intervention of such a Tribunal. The Trustees, felt, however, that during their first year of office as much ground as possible towards the maximum of co-operation should be covered between the two railway companies without outside intervention; and that recourse to such Tribunals should only be had when it developed beyond question that no further progress could be made by continued negotiations between the companies themselves; even then there had to be kept in mind the effect which such recourse might have on other matters regarding which discussions were proceeding or might be instituted. While anxious that progress towards the ends contemplated by the Act should be made with all possible speed, it was the view of the Trustees that, even at the expense of some delay, results accruing from the amicable adjustment of such differences, if such could be obtained, would in the end be better for all parties, and for the whole scheme of co-operation, than would those which followed a hearing by and an order of a Tribunal. Due allowance must be made for the difference of viewpoint of each company and for the fact that in any given matter the difficulties confronting one company are not necessarily the same as those facing the other, and that even where they are the same they may easily differ in degree. There is the further consideration that while certain co-operative measures were mutually agreed on in 1933, these were comparatively free from controversial features, and that each extension of co-operation must necessarily be accompanied by problems of increasingly delicate and intricate nature, which require for their solution the utmost of patience and goodwill. These problems are inherent in any plan of joint action and, of course, do not diminish the benefits which such a plan seeks to achieve.

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Impressed as they are with the extent of these benefits when obtained, and earnest in their desire to achieve them if at all possible by amicable and free discussion, it is the intention of the Trustees to continue the consideration of proposals presently pending along the lines which both companies have mutually agreed upon—with the hope that the necessity of reference to Tribunals may either be eliminated or, if they require to be made, may be confined to the smallest number possible.

Then, in their annual report of 1935 they include this comment, at page 8:

In previous reports mention has been made of the Emergency Railroad Transportation Act of 1933 as affecting the United States lines of the System. The general purpose of the Emergency Railroad Transportation Act is similar to that of the Canadian National-Canadian Pacific Act. Notwithstanding the large organization which has been developed and the fact that the Federal Co-ordinator has urged the railways to carry on numerous investigations and has called for the furnishing of a great deal of data, no definite co-ordination measures have been achieved so far. This further evidences the difficulties inherent in bringing such measures into effect. The British railways met with similar difficulties.

Now I will proceed with my memorandum:

The officers of the two systems are in constant and daily contact, on many points. They are quite accustomed to reaching agreement. They should be able to avoid the application of compulsion to force a friendly competitor into an agreement which he dislikes. Finally, as each railway has, in the discussions leading up to an impasse, made all the concessions which its officers consider intelligent and businesslike, neither one should have any desire to risk the position of additional disadvantages—such as must result, to one or other of the parties to the discussion, from any conceivable report of a tribunal. This would only magnify the difficulties of co-operation owing to the fact that the parties would constantly fear the establishment of adverse precedents. It would involve something in the nature of contentious litigation which would not create an atmosphere favourable to cordial and effective co-operation.

In the end, the paradox develops that, the more successful our attempts to unify properties and services by co-operation, the more impossible would be the unification which we attained. We should ultimately reach a point at which the vast majority of our train services throughout the country would be run in common over commonly operated lines. We should have the extraordinary spectacle of two staffs of railway workers engaged in joint operation of a railway system, and supervised by two separate head offices and official staffs.

We might have the picture of two groups of salesmen engaged in competing with each other to obtain passenger and freight traffic to be carried on the same lines.

CO-OPERATION OR UNIFICATION:

We are warned that the objections to unification, as I have suggested it, are very grave. Let me examine them, one by one, and consider how co-operation could meet them.

There is first the objection that unification would create a transportation system beyond the ability of one Board of Directors and one management to conduct successfully. I disagree with this—but consider how co-operation would meet this aspect of the problem. Co-operation, carried to the extent where it became a valuable method of reducing expense, would create very substantially a unified railway system, but one not operated by one Board of Directors and one management, but by two boards and two managements. I think that your Honourable Committee will realize that if it is impossible for one administration

to conduct successfully the railway transportation of all Canada by means one unified system of railways, it will be somewhat more difficult for two administrations to do it simultaneously and in co-operation.

The second general objection is that we should create by unification monopoly under which the interests of the shipper and traveller would be neglected. It is my clear impression that to set up what might be called a dual monopoly, operating the same railway system, would not avoid this danger, would, by its divided responsibility, make inefficient railway service the standard in this country, and produce unnecessarily high charges or reduced standards of service.

The next objection is that unification might deprive communities in Canada of railway services. To the extent to which co-operation was parallel in effect to unification, this would also be the case. The disadvantage would be that, to some extent, co-operation would not be—even in its most complete form—entire unification. Thus, the co-operating railways would not be able to use as many methods of adjusting their services to the needs of various communities and localities as a unified railway system could.

When we come to consider the effect on the interest of railway workers of these two alternative methods of arriving at the same general condition, I may point out that the maintenance of separate managements, and the limitations of co-operation as compared with unification would render impossible the full and satisfactory application of those long term and complete measures of protecting the interest of railway workers, which, in my opinion, must and will be employed under an intelligent and businesslike method of unification.

Indeed, it is clear that those railway workers who have been encouraged to believe that safety for labour will better be obtained under the present system than under rationalization of the industry in which they are engaged are already noting that co-operation is no more, should it ever be possible to carry it out on a major scale, than unification in disguise, retaining all the supervisory officers in service, and making the personnel savings entirely among workers. For example, the *Saskatoon Star Phoenix* of March 28, 1938, reports that, at a meeting of the Saskatoon Joint Council of Railway Unions, repeal of the Canadian National-Canadian Pacific Act was demanded. It must be clear that co-operation, to the degree that it might be made effective, would have the same result as unified management in respect of displacement of labour. It would, carried to the extent which its advocates suggests as possible, affect the interests of labour almost as much as unification. In my opinion, it would do this without permitting the use of proper precautions and remedial measures. Under co-operation, adjustments made for the benefit of labour have to be made without according to the effect of each individual co-operative measure. In this way, there is lacking the general advantage of arrangements which, under unified management, might be made by agreement between representatives of the railways and representatives of the employees.

There would, of course, be one advantage—if your committee believe it to be an advantage—in co-operation: The nominal independence of the two railway systems would be maintained. It would not be a real independence—for it is difficult to “unscramble” physically a piece of railway track, a railway service, a railway terminal, which has been placed in joint use by co-operation, as it is difficult to perform the same service for one which has been brought under unified management.

The actual effect under co-operation would be that the head offices and supervisory staffs of the two railway systems would retain their independent existence. Railway workers throughout the country in train service, in freight sheds, in shops, and on track maintenance, would find their numbers reduced by co-operation—as by unification. The more successful the co-operation, the closer its results would approximate those of unification. The more highly paid officers and employees, however, would not be affected, and would remain in independent units to exercise joint direction of the diminished staff of railway workers.

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The Canadian Pacific Railway has been at all times willing and eager to range co-operative measures. The difficulty has been to find the places where they would be effected. Our willingness should be obvious in view of the fact that the \$1,135,000, which represents the net annual savings by co-operative measures so far put into effect, amounts to 30 per cent of the former cost, to the two companies, of the operations affected. Savings at this rate are decidedly attractive, and no devotion to a better plan would prevent the Canadian Pacific railway from carrying co-operation to its practicable limit. Believing, as the officers of that company do, in the inevitability of final and general consolidation of the business of the two railways, it must be evident that they would have no disposition to block partial measures where these can be arranged.

MONOPOLY:

One objection often made to unification is that it would produce a monopoly of transportation which might be used to the disadvantage of the public. That a monopoly would be created, within the comparatively narrow field of railway service, is quite true. On the other hand, it must be remembered that monopolies of railway transportation are not infrequent in Canada at present.

The Canadian Pacific possesses a rather complete monopoly in the Kootenay district of British Columbia; in Southern Alberta and Southwestern Saskatchewan. The Canadian National possesses a complete monopoly between Edmonton and Prince Rupert; Edmonton and Kamloops; in much of Northern Saskatchewan and Manitoba; in the territory between Winnipeg and Quebec; in the Lake St. John district of Quebec; in the Northern portion of New Brunswick and Nova Scotia; and in the Province of Prince Edward Island. The Canadian Pacific monopolizes railway transportation in an area South of the Canadian National transcontinental lines from Nipigon as far as Sudbury; in the territory between Sudbury and Sault Ste. Marie; between Sherbrooke and Saint John, N.B., on the so-called "Short Line," and in Southwestern Nova Scotia. These are examples of fairly complete monopoly. In the areas in question, while through traffic may be competitive in type, local traffic is absolutely non-competitive. Neither the charges nor the standard of service in these areas can be affected in the least by competition between Canadian railways. It is impossible, for example, for anything which the Canadian Pacific does to affect the cost or comfort of a passenger travelling from Edmonton to Prince Rupert; or for anything that the Canadian National does to affect the charges of the traveller or shipper between Lethbridge and Calgary. The Canadian Pacific has absolutely no influence on the charges or standards of service on the Canadian National between Cochrane and Quebec. The Temiskaming and Northern Ontario Railway has an absolute monopoly of service in a large and important area of Northern Ontario. Yet, the charges and standards of service of these railways in the areas mentioned are on the same basis as similar charges and standards in areas where competition is fully developed.

RIGHT RATES:

As a matter of fact, any idea that the existence of two railways affects right rates by keeping them low should be fairly well exploded by the fact that, many years ago, a political agitation against the charges for the transportation of grain on the Canadian Pacific in Western Canada was used as a powerful lever to obtain governmental subsidies for rival private interests in connection with the construction of the Canadian Northern Railways. It was freely alleged that the Canadian Pacific was robbing the farmers of Western Canada, and the promoters of the Canadian Northern Railway promised great things in the way of lower transportation charges. It is undeniable that a temporary lowering of these charges was forced on the Canadian Pacific Railway at that time.

The effect on rates was of a passing nature. The railway which was to form the Canadian Pacific charges down became bankrupt; passed into the hands of the Government, and is now a part of the Canadian National System. The rate of charges so established proved too low to support the later Grand Trunk Pacific, and, to-day, the Canadian Pacific is the only solvent one of the companies. Further, the coming of the War, and the alteration in economic conditions which resulted, ended in a condition in which the undertaking of the Canadian Northern to maintain a certain level of grain rates became impossible of performance, and, when the grain rates were settled, on their present basis no consideration was given to these forgotten passages of history.

Perhaps the best evidence that it is not the existence of two railways that guarantees low freight rates, can be drawn from a statement by an officer of the Canadian National System. In evidence before the Royal Commission, there is quoted a statement by an official of the Canadian National, in attempting to set up some alternative to unification, stating that "the situation calls for a courageous facing of facts, provision of rates high enough to pay the cost of services; equitably distributed and free from statutory limitations."

This would, of course, be one way of attempting to solve the railway problem, but not, in my opinion, the correct one. It does not appear to be desirable to attempt to increase the cost of transportation in Canada in order to maintain unnecessary duplicate railway services. My own preference is always in the direction of trying to eliminate waste in order to give the public the cheapest possible service. Freight rates may, from time to time, have to be increased in order to meet changes in general economic conditions, but, as far as I know, it is possible to solve the railway problem by other methods than those recommended by the official in question. In any event it is reasonable to appearant that the elimination of the Canadian National as a separately operating system would not reduce the tendency to increased freight rates.

Freight and passenger rates in Canada are not set by the railway companies in competition with each other. They are—and this is very fortunate for the people of Canada—set by the railways, openly in an endeavour to keep rates adjusted to the economic needs of the nation.

Freight rates in the main are kept low by a highly concentrated effort of railway managements to deal intelligently and consistently with a difficult problem. They are, in Canada, as low as they are in any major country in the world, and far lower than in all countries except the United States which compete with us for markets abroad. For example, the average rate for carrying a bushel of grain an average distance of 750 miles from point of production to water navigation is less than 13c. in Canada. My information indicates a rate of 11·74c. for a haul of 144 miles in the Argentine Republic, and 8c. for a haul of 88 miles in Australia.

This is an entirely natural state of affairs, since Canadian grain must be delivered in the markets of the world in competition with the grain of other countries, and the Canadian railways must, therefore, make such charges for their proportion of the transportation and handling as, combined with ruling ocean rates and very low charges for elevation and other handling, will permit this object to be attained. Since rail haul is, in the case of Canada, a far more important portion of the journey than in Australia or the Argentine Republic, Canadian rail rates on grain must rule much lower than is the case in the competing countries.

That is typical of the influences which really set Canadian railway rates. It is true, of course, in the particular case of grain rates, that their establishment on a statutory basis makes them comparatively inflexible, by preventing their increase when the traffic would bear such an increase, and thus, in compensation preventing their lowering, when the traffic finds it difficult to bear the existing charges.

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As a consequence of the method of approach to the rate situation above described, the Canadian railways, without compulsion, and in an endeavour to protect their traffic, between January 1st, 1930, and June 30th, 1934, reduced over 100 individual rates for each one which was increased.

STANDARDS OF SERVICE:

The same thing is largely true of standards of service. For example, when air-conditioning was applied to Canadian railway travel, this was recognized by railway companies as involving additional cost without any increase in passenger fares. Since the Canadian railways operate on the Continent of North America, their passenger service must be generally of the standards accepted on this Continent. Thus, when air-conditioning became general in the United States, it was inevitable that it would be adopted for long distance travel in Canada. Neither competition between the Canadian railway companies nor an order of the Board of Railway Commissioners was needed to effect this important change in the standards of railway service.

COMPETITIVE FACTORS:

After all, it is quite reasonable that this condition should prevail. The volume of railway shipment and railway travel is exposed to possible limitation from two factors among others. One is the competition from other forms of transportation. The subsidized highway transportation of this country has diverted from the railways a mass of passenger business—which now uses private motor cars, and, to a less extent, buses. It has taken away an amount of commercial freight traffic which cannot be assessed exactly. It is even more difficult to obtain figures showing the competitive effect of our great waterways. Impossible as it is to weigh precisely the effect of these forms of competition in diverting traffic from the railways, I am sure that you will realize that it is important. In addition, the Panama Canal has created a situation in which our railways find it necessary—in order to hold their transcontinental freight business—to maintain a structure of rates for this type of traffic which is out of keeping with the normal structure. When you hear, for example, that it is possible to ship goods to Vancouver from Montreal cheaper than it is to ship the same goods to Edmonton, you might remember that this is not by any means the fault of the railways, but because extraneous competition forces them to do it, and that one of the reasons why no downward adjustment can be made in rates affected by highway and waterway competition is that these forms of competition have carried many other rates to a point much lower than they need to be.

The other factor which tends to keep railway rates low is one generally forgotten. While people travel or ship goods because they desire to travel or ship goods, they can neither travel nor ship goods if the rates are too high. Thus, the one object of every railway traffic executive is to keep rates as low as commensurate with the needs of revenue, and low enough to enable people to travel freely and to ship goods freely. When times are hard and prices low, railway rates must be kept down. In better times, they may be allowed to rise a little. If, at any time, they rise too much, business dries up.

PUBLIC CONTROL:

It should be clearly understood that I am not suggesting that the Board of Railway Commissioners has no valuable functions. It is my opinion that public utilities of a semi-monopolistic type should, at all times, be subject, in charges and standards of service, to the orders of a tribunal which can prevent exploitation of the public or neglect of its interests. I have, indeed, repeatedly suggested that the powers of the Board should be extended wherever this appears necessary.

May I point out in addition that a necessary condition of unification that the Canadian Government will continue to own the Canadian National Railways? That carries with it the assumption of increased effect of the public will on the policies of both the railway systems. If the railways undertake experiments in monopolistic oppression of the people, then, under unification this would have to be with the consent of the Government. I may enquire of your Honourable Committee whether it would be your intention to permit monopolistic abuse of the public interest by the unified railway system, whether you have the least doubt of your ability to prevent it.

Monopoly is a word which has a sinister significance in the minds of many people. In this case it is an argument obviously designed to frighten the public, but it loses much of its terror when it is considered that in this instance monopoly will be strictly regulated by public authority; that public opinion itself is a more potent influence in the conduct of large operations than ever before, and that the attitude of railway officers towards their public responsibility is drastically different from that of fifteen or twenty years ago. These facts combined with the heavy losses of the past twelve years due to the maintenance of competitive systems, must be given serious weight in appraising former objections to unification.

LABOUR UNDER UNIFICATION:

Perhaps the most important objection made to unification is the possibility that it might affect unfavourably the interests of Canadian railway workers. I believe that this question must be examined very thoroughly, but that by such examination it will be discovered that the fears expressed by the opponents of unification have no real foundation.

Unified management can only be made valuable by methods which will ultimately involve a reduction in the amount of labour employed by the railways, and it is not surprising that not only railway workers themselves, but all good citizens, express a keen desire to have the incidence of the reduction in employment under unification set out in some detail for public consideration.

The whole progress of modern civilization has sprung from the desire to save labour. Every machine which has ever been invented has been an attempt to save wasted labour, and put it to useful occupations. On the other hand, since the chief economies of unification are ultimately to be made by saving labour, it is certainly my duty to explain as carefully as possible what will happen to labour under it.

In the first place, I may point out the arithmetical fact that the annual turnover of railway labour on the Canadian Pacific is almost 5 per cent. Every year almost 5 per cent of our employees die, retire, seek other employment, leave the service for other reasons. The total savings of labour under unification are estimated at 15 per cent to 17 per cent. Thus, assuming that the labour situation on the Canadian National System is approximately the same as on the Canadian Pacific, we can see that, in the five years, at least, which will be required to accomplish unification, a policy of not hiring additional workers would reduce the staffs of the two railway systems more than the savings unification would involve.

I can illustrate the labour situation in another fashion; More than 20 per cent of the present employees of the Canadian Pacific Railway have five years or less service. That is, were we to attempt the impossible, and to make labour savings under unification overnight, the number of employees displaced would be no greater than that of our men with five years' service or less.

It would be dishonest on my part, however, to pretend that these simple facts offer a complete answer to those who fear the minor and temporary consequences to labour of a policy of rationalizing our railway situation.

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It is true that more railway workers will leave the service in the time required for unification than would be necessary to accomplish the estimated saving. This, however, is not the same thing as saying that no one will lose employment. The fact that, for example, a locomotive engineer retires does not necessarily open an immediate opportunity for the employment of an accountant or a freight checker who can be dispensed with as a result of unification. There are, however, certain compensating facts. One is that we should have available the entire employment opportunities of the two railways. That is, under unification, the transfer to useful employment of labour saved will be easier than is the case with two dependent systems.

I do not think that we should fail to realize that Canadian railway employment has been on a generous and well paid basis. For example, comparing conditions in this country with those in the United States, I find that, while the number of railway employees in Canada was for 1936 14·5 per cent below the figure of 1916, the corresponding decrease on the Class I roads in the United States was 35·3 per cent. I find also that in Canada, for each unit of operating revenue, the railways employ over 40 per cent more workers than do the Class I railroads of the United States. To some extent this condition results from the difference in underlying economic conditions in the two countries, such as density of population and traffic, proportion of lines of light traffic, types of traffic, and the effects of highway and waterway competition. The figures which I have cited, however, will indicate quite clearly that Canadian railway management has not overdone labour saving.

In fact, the relations between railway management and labour in this country have been at all times such as to lead me to say with certainty that any conceivable management of the unified system will deal fairly with labour, and I am confident that, where every effort fails, and any man loses employment, public opinion will support the management of the unified system in providing suitable compensation to assist those displaced in becoming re-established in other employment.

I should like very much to be able to offer some definite promise concerning the extent of this compensation, but I think you will see the difficulties which arise in the way of an *ex parte* statement of this sort—especially at this stage of the discussion. It would not be honest for me to pretend that I can commit the Government—the representatives of the owners of the Canadian National—to a fixed labour policy. For my part, I could not consent to any plan of unification which did not include adequate provision of this nature.

There are precedents elsewhere for the application of measures to prevent labour savings under railway unification becoming oppressive to labour. The railways of the United Kingdom, in the process of amalgamation, agreed to measures for the protection of their staffs during the period of transition. It is well known that these plans worked well, and that, generally speaking, it was possible to hold labour savings under amalgamation down to the rate set by natural turnover.

As you know, in the United States also provision has been made to protect the interest of employees where measures of co-ordination are undertaken, and, in May, 1936, a specific agreement was arrived at between all the important railway companies and the representatives of railway workers. That agreement provides for compensation to employees displaced as a result of co-ordination measures.

I cannot say that it would be possible to apply precisely similar measures in Canada, since conditions in the three countries vary considerably. Nor can I venture to pledge both the Canadian railway systems to a specific labour policy after unification. I can say that any management of a unified railway system in Canada is certain to do its best to adopt the best features of both these systems—for anything else would be entirely contrary to the spirit which has ruled in the labour policies of Canadian railways in the past.

I believe that the effect of unification on labour and its interests has been genuinely misunderstood, and that once the facts of the case are known, it will cease to be possible for the opponents of railway rationalization to use this particular bogey.

If credence were given to the picture of unification as it is sometimes painted your Honourable Committee might expect to see great numbers of railway workers thrown into the street as soon as agreement was reached for unification. That is not correct.

A study of the probable effect upon employment of the estimated economies under unified management as compared with the natural attrition of labour indicates that many more openings will be created for employment by the annual attrition withdrawals from service than there will be employees displaced under unified management arrangements to fill the positions. Let us assume—and this of course is an arbitrary assumption—that the estimated economies under unified management could proceed at the rate of 25 per cent for each of the first two years, 20 per cent in the third year, 15 per cent in each of the fourth and fifth years. On this basis and with the known fact that railway labour turnover is about 5 per cent per annum, even if we succeeded in five years in reducing our annual labour costs as much as 17 per cent the railways would require to engage from 993 men in the first year to 2,015 in the fifth year—an average of almost 1,500 per annum—in excess of the number of employees displaced as a result of the unified management economies.

In other words, with employment at the level of 1937 there would be 22,500 positions closed in the five year period as a result of the economies, but, on the other hand, there would be 29,947 positions opened by reason of the 5 per cent annual employment attrition, the excess being 7,441.

This is apart from any increase as a result of an improvement in traffic conditions. Should traffic volume return to the level of the year 1930, it is estimated that over 25,000 additional workers would be required as compared with the number needed with traffic volume at the level of the year 1937.

After unification is complete, of course, the full 5 per cent of all railway posts will again be opened each year for railway workers.

I can assure you that, in any plan of unification which would be acceptable to the Canadian Pacific, proper provision for any small number of cases where it is difficult to retain present workers in the service will be made, and you may put aside the fear that labour will suffer from large scale dismissal as a result of the adoption of a plan of unification.

CONCLUSION:

I have attempted to deal with those detailed objections which have been raised to unification. May I now deal with the subject in a somewhat broader fashion? We hear, for example, that this community fears the loss of some of its residents, that such a merchant believes that his business will be unfavourably affected, and that, after all that I have said concerning provision for labour, we must, in the end, face the fact that unification means fewer railway workers.

Is it not a fact that all of these objections are merely the objections to economic progress? When the motor car replaced the horse-drawn carriage and the steamship put sailing craft out of commission, all of these consequences resulted. All that those who use these objections are saying is that they believe that the unwise rioters who smashed looms in England more than a century ago because they took the place of manual workers, were sounder economists than

ADAM SMITH:

The only reason for accepting unification is that it is in the national interest and it is in the national interest because every measure which will reduce the cost of carrying on the vital task of transportation in Canada is in the national

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interest. It is in the national interest because the public finances of this country need relief, and unification will afford it. It is for these reasons that I have come to the conclusion that unification cannot be avoided.

This is not the first time that it has been sought to make important railway economies in Canada by removing duplication. After the Government acquired the systems which now constitute the Canadian National Railways, it proceeded to seek efficiency and economy by organizing them into a single operating unit. This, since it was the amalgamation of railways under the same ownership, differed radically from the programme which I am now suggesting, but is a fact that the object of obtaining economy is the same in both cases.

I have never welcomed unification. The Canadian Pacific is a highly developed organization, and an object of pride to all its officers and employees. Under unification, it will lose its identity—and that is a real loss to those of us who have spent a lifetime in its service.

Even with the acute competition given it by what I consider has been an unwise venture of the state into the railway field, I still believe that the Canadian Pacific can survive as an independent institution. Far from eagerness, as our critics have it, to seize the publicly owned system, I feel deep regret that, even by unification, can we remove the greatest danger of which I know to the future of the nation.

In a recent public address I said that unification is inevitable. The public mind compels it.

By Mr. Biggar:

Q. That statement is a very comprehensive one, and I understand you intend to supplement it by dealing with the estimate of \$75,300,000?—A. Yes, I

Q. But you agree with me that we might discuss some points of general principle at this stage before we go on with the statement of the figures relating to the economy.

Perhaps the first matter on which you might expand a little is the three forms of co-operation that have been discussed or mentioned in the committee—first, purely voluntary co-operation; second, co-operation with, in the background, compulsory powers exercisable on the initiative of, though not by, the railway company; and third, one that has been merely referred to, co-operation with, in the background, compulsory powers exercisable by a body which itself takes the initiative.—A. Yes.

Q. Now, you have dealt with the first two of these in your memorandum. Have you anything you can add with regard to the third?—A. The third involves, as I understand it, the establishment of a co-ordinating tribunal which would investigate measures of joint action and, after conference with the railways involved, if they could not be brought into agreement, would have power to issue an order compelling them.

Q. The initiative should be exercised outside of the railways altogether?—A. That plan has been attempted, as you know, in modified form in the United States. True, Mr. Eastman did not have very many teeth in the statute, but he did all he could do to bring it about without compulsion or coercion. My objection to that is that it involves on the part of an independent tribunal responsibility for management without responsibility for the results. I could not say that, of course, if this was one railway, or two operated together. So long as the Canadian Pacific operates in competition with the Canadian National and, under its charter, the responsibility reposes in the hands of its directors, I would think it was unwise and perhaps unfair that we should be subject to the order of an independent tribunal on matters of administration. I do not think it would be right to substitute the judgment, for example, of these gentlemen or this gentleman for the judgment of our own representatives

of our shareholders. I must confess that I am speaking without knowledge of any precedent. I do not know a place in the world where this has been done, or tried to the extent that you indicate or outline.

The idea of co-operation is an excellent one. Compulsory co-operation is another thing entirely. We discussed this before the Royal Commission, and I think I discussed it with the committee of the Senate in 1933 when they passed this legislation, and I pointed out the dangers and difficulties. I am not at all disappointed—I am disappointed in a sense, but I am not surprised that under the sort of hybrid system we adopted in 1933 we have not made much progress. I do not want you to think that I think progress is at an end. I do not. I believe we can go on, and I think, as one of the witnesses said the other day, if time is no object, over a period of years we can effect further economies by voluntary co-operation. I do not believe we will effect any more by compulsory co-operation. I question the judgment of an independent tribunal which would have to take up an isolated case which would affect a company throughout the whole system. I question the wisdom of allowing that kind of discretion to be imposed on a private institution which, under statute and contract with this Government, has established a recognized form of responsibility.

By Hon. Mr. Horsey:

Q. In giving your evidence to the Royal Commission you gave part of what is contained in this memorandum. But there is another very important part dealing with financial results.—A. That is coming later.

Q. How the division of income would be made. Perhaps the committee might like to have the whole of that evidence of yours.

Mr. BIGGAR: I think we shall cover everything.

By Hon. Mr. Calder:

Q. May I ask a question here on a point which has just been referred to? Looking at the map between Sudbury and Winnipeg, the two companies have had under consideration for some time the possibility of entering into an agreement whereby there could be economies. They have not reached an agreement. Suppose a tribunal existed that would compel an agreement, and that agreement was not satisfactory to either company, you think that would be very unfortunate?—A. Yes, I do, because, after all, as the condition is to-day, we must form the policies of those two companies, and the respective boards of directors cannot absolve themselves from that responsibility. Therefore, they being the bodies created by their owners for that purpose, I do not think anyone should be permitted to take their place.

Q. That is, unless you can agree voluntarily, you think compulsion should never be used?—A. I do not think compulsion would accomplish anything very material beyond what the railways can accomplish by themselves.

By Mr. Biggar:

Q. Now, turning to the other alternative, or a possible alternative that I have not been referred to, but which has been suggested, namely, that instead of an outside body with compulsory power there might be some outside body in the nature of a new board which initiated or considered these questions of co-operation and simply reported to Parliament the results obtained under its aegis—what would be your view with regard to that?—A. I would see no objection to that, Colonel Biggar. I do not think that would be a harmful measure at all.

By the Chairman (Right Hon. Mr. Graham):

Q. Would it be of any use?—A. It would depend upon the ability of the man chosen in each case to persuade the railways to do certain things.

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ould be a conciliation proposal. It could not possibly be resented by either company. And further, there are cases, Senator Graham, as you know, when man from the outside makes a suggestion that you can adopt after following up yourself, and to which you can say yes. He has a new approach, and if is done in goodwill, I think it might help.

Q. It would not be done with a club?—A. No. And of course the railway companies would have to have a great respect for the qualities of that individual. He would have to be known to be a competent and honest and intelligent man, and once he got their confidence he probably would be able to help.

By Mr. Biggar:

Q. What would be your view as to the limitations on that? Would it carry you much beyond voluntary co-operation?—A. Well, it would in this sense. As you know, under the Lemieux Act boards are established. They make findings—unfortunately not always unanimous—and they become public, and they have an influence on public opinion and public opinion has an influence on us. To that extent, if a report were made public as to the efforts of this man, the position of the parties and his views, it would probably have a beneficial influence.

Q. And would it be fair to compare the results to be obtained under such system with the results obtainable under voluntary co-operation and unification respectively?—A. Well, of course, I think it could not harm voluntary co-operation, because in the end it is only a means of bringing it about. It could not, of course, compare with unified management. Perhaps I should say here, Colonel Biggar, that the use of these words, "unification" and "amalgamation" is a little confusing, very often. The difference between them is probably very little. I understand it has been judicially determined that neither word is a legal word; it is just a commercial word.

Q. Exactly.—A. But we are not talking of unification and amalgamation here at all. We are just talking about a company employed as managers for these two companies. There is no physical merger in the sense that we become one. And there is no financial or corporate merger. It is just an instrument to create ourselves voluntarily to manage two properties instead of one.

Q. I think it has appeared here that one of the chief difficulties in arriving at agreements for co-operation is the disinclination, the perfectly proper disinclination, of officers of either railway to co-operate in something that is going to constitute a mutilation of their own system,—or, as you put it, I think, in your memorandum, "seriously to affect its competitive system"?—A. Yes.

Q. Now, if you had this single managing company, would not one of its first jobs be to do just that thing to the physical property and the services of the plants of each of the railways?—A. Yes, unquestionably.

Q. So that from the point of view of an independent entity, the result of the action of unified management would undoubtedly be to mutilate each of the systems as a physical system capable of competing with the other?—A. To a extent that is true, because there is no competition and there is a common interest; they are both interested in common results.

Q. Suppose you get into that position and there has been substantial mutilation of each of the systems as a separate entity, how are you ever going to get back to where you were?

Hon. Mr. DANDURAND: To unscramble.

By Mr. Biggar:

Q. How are you going to unscramble the omelet, as Senator Dandurand suggests?—A. It would be extraordinarily difficult, but not impossible. But do not forget that this plan of unified management is designed as a permanent solution of the railway question in Canada. If there were interjected questions

of temporary unified management, of course we should have another problem to consider. I am not saying it could not be done, but it would be extraordinarily difficult. And while there would be some things that would not be changed by any event, there would be many facilities which would be made different, joined, and which would continue to be different, no matter how much unscrambling you did, because it would be so greatly in the interests of the railways to have them that way. But I have never contemplated a plan of unscrambling in connection with this. I have assumed that if we came to the conclusion that unified management of these companies should be established it would be permanent. As to methods of unscrambling and the conditions which would arise if this were restricted to a temporary arrangement, I would be quite prepared later, if you desired me, to tell the committee how I think it would work out practically.

Q. On a temporary basis?—A. Yes, a short term basis.

Q. I think that would be very useful.—A. But I am not prepared to do that now, because I do not think I have got all these difficulties in my mind or all the possible advantages of the things which would ease the doing of it; but I would certainly be glad to do it before the committee adjourns its work.

By the Chairman (Right Hon. Mr. Graham):

Q. If I remember rightly, a leading lawyer, a gentleman who had served as an officer on one of the railways, suggested a temporary scheme before a committee of the Senate some time ago.—A. Yes, when you were considering the Act in 1933, Senator Graham. That was Mr. Ruel. He had a plan for a very short period of joint operation, under what he called entrusting agreements.

By Hon. Mr. Horsey:

Q. For how many years?—A. Ten years, sir. I never agreed with Mr. Ruel's plan, obviously, because his term was too short. We would just about get to the end of our economies and get straightened out for the future, when we should have to dissolve again. And that of course would restrict very considerably the extent of possible savings.

By the Chairman (Right Hon. Mr. Graham):

Q. That was one of the objections, certainly. If it could be done at all, you would just begin to realize what benefits there might be when you would have to unscramble again?—A. That, I think, would be fatal to any short-term plan.

By Hon. Mr. Dandurand:

Q. He was suggesting a yearly reserve, which would accumulate and be used when the time came to unscramble or re-establish the two railways into separate systems.—A. Yes. I think he called that a rehabilitation plan. That can be done, but of course if you had a fairly long plan, your difficulties would be smaller per year.

By Hon. Mr. Calder:

Q. Sir Edward, in your proposed plan of unified management, there would be no really substantial economy unless you began to amalgamate the various features of the system, to pool the trains, abandon tracks, use joint shops, joint express and telegraphs, and so on, and the more you did that the more economical you would effect?—A. Exactly.

Q. And unless that is continued for a number of years, with all that joining together taking place, you would not get very far in the way of economy?—A. We would get far; we would begin to make economies, I think, immediately, Senator. We said, for example, that five years would be necessary to do this.

Q. But that process of amalgamating the services, and so on, all along the line, would have to continue?—A. Yes.

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Q. And the possibility of unscrambling that would become greater and greater?—A. More difficult.

Q. All the time?—A. Yes.

Q. So your suggestion is that if the principle of unified management is accepted, it should be permanent?—A. Yes sir.

Q. The two companies would retain their entity?—A. Yes.

Q. But necessarily the two systems would have to be joined more and more and more all the time?—A. Well, of course we would reach a limit at which it would be feasible to do that, because we would exhaust our economies the first five or ten years, probably, and then we would have a set system under the administration of one body of men selected by the Government and ourselves.

Q. Then, the whole question, to my mind, would come down to the distribution of the proceeds of the earnings?—A. And that, senator, can only be accomplished by the owners themselves, by agreement.

By Mr. Biggar:

Q. Sir Edward, would you discuss it a little from the point of view of not merely the railways, as such—because we use the expression “Canadian Pacific” and “Canadian National” as meaning a number of different things—but from the point of view, say, first, of the shareholders and bondholders of the Canadian Pacific, and perhaps of the bondholders of the Canadian National, too, because there are some among members of the public.

Right Hon. Mr. MEIGHEN: Mr. Biggar, would you permit me just to ask a specific question there?

Q. In respect of a great many of the issues of the Canadian National, there is no liability of the Canadian National Railways as a company, and no liability, perhaps of the Government itself. Liability to the security holders is a liability of the individual company which built the line. The problem does not arise in relation to the Canadian Pacific, because I presume that company is liable for its issues in all cases?—A. We have a very easy situation there, sir.

Q. Now, take the Canadian National. Suppose there is a case of an issue covering a specific line, or covering a number of lines, one of which is going to be either abandoned or reduced to a merely local line, whereas formerly it was a line carrying much more traffic, the object being to attain a lower standard of maintenance and a saving resultant therefrom. If that is done, there will immediately arise a liability on the part of the whole system for that security. If we treat the property which secures an issue differently from the way it was intended to be treated when it was built, we can hardly do otherwise than assume liability for the issue. Have you thought about whether or not it would be necessary to make a general assumption by the Canadian National Railways Company of all the issues of these individual companies, if unified management is adopted?—A. No, sir, I did not. I concluded this, that the real security behind the issuance of bonds is the Dominion Government.

Q. It is not in many cases, you know?—A. Of course, it could be easily turned into that. In effect it is.

Q. That is exactly the question I put. Would it really mean that the Dominion becomes the parent of all the Canadian National securities?—A. Probably.

Q. I think so.

The CHAIRMAN (Right Hon. Mr. Graham): I do not see how we could avoid it.

By the Chairman (Hon. Mr. Beaubien):

Q. The position would not be changed?—A. No, the position would not be changed. We are paying now.

By Mr. Biggar:

Q. Do you mean there would not be a difference, so far as the Canadian National system is concerned, through unification?—A. No, there would not be a difference.

Q. Now, turning to the position of the Canadian Pacific shareholders and bondholders, I suppose your view would be that the effect of these economies could be regarded as going so far into the future that the returns to the Canadian Pacific shareholders would be quite sure for an indefinite time into the future?—A. I think so. And I would also say that there would be no difficulty, or there should not be any, if they believe their directors, in getting their approval of this kind of agreement. Here is the situation. The Canadian Pacific has \$335,000,000 of common stock outstanding, par value; and preference stock of \$137,000,000, non-cumulative preference stock, 4 per cent. That is a total of \$472,000,000. Now, those are held by stockholders in the company and they have a right to approve or disapprove of the agreement. But let us assume that their approval would be given to this, because of the advantage to their properties and earnings by this unification.

Q. And the reason that they would likely agree would be that, having regard to these economies, they could look forward to receiving a return on those shares indefinitely?—A. Exactly. They would regard their future as more secure.

Q. For a lifetime, if not longer?—A. Then we have other securities. We have debenture stock, which is a statutory first lien on the assets of the company, by amendment to our charter made in 1899. And we have bonds to the extent of \$150,000,000, which are all secured by deposit of this perpetual debenture stock. They together amount to \$446,000,000. Now, in addition to that, of course, we have equipment obligations which are secured, as you know, in the ordinary way, and stand by themselves. And we have some—they are not very heavy now—note certificates outstanding, secured on the proceeds of our land sales uncollected. If the Canadian Pacific had to make certain that there was no objection to this thing from the standpoint of any security holder, it could perfectly easily obtain their consent, because on the Canadian Pacific proper there are no bonds. On our leased lines there are bonds. One of the railways that we abandoned the other day by agreement is a leased line, and we got the consent of the other company to the abandonment.

Q. Your lessor?—A. Yes. The percentage of that total in the case of the Canadian Pacific is very small. I have a note here showing, for example, the mileage included in proposed abandonments of our leased lines. It is 300 miles, the total mileage of 1,548, or roughly one-fifth of the mileage. Outstanding in the hands of the public, outside of what we ourselves own, are \$44,700,000 of bonds. If you apply that to that one-fifth, you see you have only \$9,000,000 of capital against it.

Q. Yes.—A. I would see no difficulty in getting the approval of every first mortgage security holder of the Canadian Pacific, because in the last analysis his position is improved by the improvement in the future earning power of his company. So I do not look for any difficulty in that place. As you know, under our Debenture Stock Act—and that is where we are so easily placed—in respect of this debenture stock, if we fail to pay interest due for a period of more than ninety days, those men become stockholders and they take over and vote and control the company. There are no proceedings, legal or otherwise, required in that. So ours is a simple situation, due to the terms of our charter.

By Right Hon. Mr. Meighen:

Q. I presume the Canadian National Company or the Government of Canada—you do not need to distinguish—is in effect liable for the issues of
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dependent parcel of road, because the only alternative is the bankruptcy of that road at the proper closing down of it. That is, they are really liable if it is intended to discontinue the road?—A. Yes.

Q. And that ability to take care of that liability in any event would be enhanced by the economies which you foreshadow?—A. Yes, sir.

Q. I see.

Mr. BIGGAR: I think, Mr. Chairman, that covers anything I had to ask Sir Edward on that question of unification as a scheme.

The CHAIRMAN (Right Hon. Mr. Graham): Do any members of the committee, and in fact any members of the Senate who are not on the committee, desire to ask any questions on this point of unification?

By Hon. Mr. McRae:

Q. Yes, Mr. Chairman. Sir Edward, I take it that unification, to get greater results, must be in effect a perpetuity?—A. Practically; a very long period.

Q. It would take five years to bring about the contemplated economies. It occurs to me that the Government would have to be prepared to put up a substantial deficit for at least five years of their share of the partnership.—A. Their own railway. That of course would depend on the speed with which we get towards economies, the condition of the traffic, and so on, Senator.

Q. There is another side to it, that is the finances necessary for improving and replacement, and all that sort of thing.

Mr. BIGGAR: I am coming to that, Senator, when I deal with capital.

Hon. Mr. McRAE: All right.

The CHAIRMAN (Right Hon. Mr. Graham): We are trying to clean up as we go along, Senator.

Hon. Mr. HAIG: Has Senator Horsey's question been answered yet?

Hon. Mr. HORSEY: I don't think so.

The WITNESS: No; Colonel Biggar is coming to that.

The CHAIRMAN (Right Hon. Mr. Graham): Any further questions from members?

By Hon. Mr. Haig:

Q. I would like to ask Sir Edward Beatty a question. Following Senator McRae's question, unification, if you are correct, Sir Edward, would be no added burden to the Government in regard to deficits of the Canadian National railways?—A. Oh, no, sir, it would be distinctly relieved.

The CHAIRMAN (Right Hon. Mr. Graham): Anything further?

Mr. BIGGAR: Mr. Chairman, I was going to get at the question of capital for the system under unified management.

By Hon. Mr. McRae:

Q. There is one further question I should like to ask with reference to unification. Is that confined entirely to Canadian railways, or does it take in the American mileage of both systems?—A. We have very little American mileage at the present time on the Canadian Pacific system. Our Soo, Duluth, South Shore and Atlantic, and Spokane International are entirely separate.

Q. Would they be part of unification, or would it be confined entirely to Dominion lines?—A. To Canadian lines only.

By Hon. Mr. Haig:

Q. Unification would include Canadian National lines that they own in the United States?—A. Yes. The Chicago line is an integral part of their system, and the Vermont line.

By Hon. Mr. Calder:

Q. Unification would not cover steamships?—A. Not necessarily.

By Mr. Biggar:

Q. In your memorandum, Sir Edward, you spoke of the necessity spending money for remodelling, modernizing and improving the service, and indicated that that would be more easily obtained under unification than under the present set-up. Perhaps you might indicate how that would be?—A. That is the difference between two and one. We think we would have to spend considerably less in modernizing the combined system than in modernizing each separately in competition with the other. As to raising the money, of course there are many ways in which that could be accomplished. I have in mind, for example, that if we built a new piece of railroad between us we would pay for it jointly because the earnings of that railroad would go to the joint account.

By Right Hon. Mr. Meighen:

Q. Supposing that railway is really a feeder for the Canadian Pacific?—A. It would not make any difference; we would both get revenue.

Q. Oh, yes. That point has been in my mind for some time. It is true you both get revenue; but that feeder adds to the permanent value of the Canadian Pacific system. Each system has still its capital assets distinct?—A. But you will remember, Senator Meighen, I am not contemplating unscrambling them.

Q. Nor would I?

By Hon. Mr. Dandurand:

Q. Who would furnish the money?—A. The two companies, the owners.

Q. Under what guarantee?—A. It would depend on how extensive it was. We could easily supply it from our own resources in both cases. If it was an extensive piece of work, we would make an issue guaranteed by the Canadian Pacific and the Dominion Government.

By Mr. Biggar:

Q. But when you spoke of modernizing and improving the service, would that involve expenditures necessitating an issue?—A. Not necessarily; that would be paid out of the resources of the two sets of owners.

Q. And the increased available surplus?—A. Yes.

Q. What you are suggesting to Senator Dandurand is that if an issue was required, it would be a joint issue by the two railways?—A. Yes.

Q. Was it in your mind that it should be an over-riding issue?—A. Oh, no.

Q. Or equal with the other issues?—A. The simplest case I can give you is that, Mr. Biggar, is this. Supposing we decided to build a railway in northern Saskatchewan to meet this new mining development—

By the Chairman (Right Hon. Mr. Graham):

Q. Why not Alberta?—A. We are there now. Let me suggest this if it was not reported. Suppose we built the Peace River outlet? That would be a very simple problem for that is a separate independent piece of railroad. We would make an issue probably on that railroad, an ordinary bond issue. I believe we would have to guarantee—that is, the Canadian Pacific and the Dominion Government—but that would remain just as the Alberta Northern Railways are to-day. It would give us no difficulty at all. I think most of our ventures throughout this thing afterwards would be entirely joint.

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By Mr. Biggar:

Q. And most of them, except special cases such as the construction of new ones, would be handled out of earnings rather than out of issues?—A. Yes.

Q. Does that cover your point, Senator McRae?—

Hon. Mr. McRAE: Not exactly.

By Hon. Mr. McRae:

Q. When you say "earnings," there are no earnings to the Government for the next five years, and in all probability the Government would have to put up their share of the money. There would probably be earnings for the Canadian Pacific?—A. But, Senator, the Government would get their share of net earnings, whatever was settled.

Q. Over the period of time. But for capital expenditure the Government would have to advance their share of the money?—A. We would each do that.

Q. I do not see how you can unscramble these things, Sir Edward, if the arrangement is to be in perpetuity, and I want to ask you this question. Do you think we have enough population in Canada to justify more than one first-class transcontinental service across the Dominion?—A. Not with all the mileage you have, no.

Q. Is it not in the offing that this country should have a really first-class modern service, and if that were to call for the expenditure of a great many millions of dollars to retain our tourist traffic, you would have to go ahead to keep pace?—A. There is no doubt money remains to be spent on Canadian railways. A railroad is never finished, and in the changing conditions we are going through, even in hard times, the prospects of additional capital expenditure in modernization and new equipment is before us all the time.

Q. Quite so. Am I not right, then, in assuming that at least we would be stified in putting one, and only one, modern transcontinental service across Canada?—A. Oh, unquestionably, in my judgment, sir, because that is the conclusion reached fifteen years ago, and that is the conclusion Lord Dufferin had reached.

Q. Does not that mean drastic changes in our present railway systems, so that they will all become more or less feeders to that line, because that one is going to provide the essential services? You cannot afford two lines. Eventually, it seems to me, unification will mean alterations in our present use of railway travel that will be very very extensive and far-reaching in the interests of economy. Then that brings up the question, then is going to require great many millions of dollars to bring about. You have an unemployment question, and this new development could be hurried along with a view of relieving that unemployment. I have in mind that great results might come in unification which would carry with it one transcontinental route, the most satisfactory one, which might be accomplished by using the mileage of each in some places, but one line or the other, and ultimately it would mean the expenditure of many millions of dollars. Is that too advanced, or is that among the lines of your thought?—A. No, that is not too advanced, Senator. I think that is going to be continuous for many years. But might I interject here something which does not deal exactly with what is in the Colonel's mind? We have set five years as a period. Of course, that is not a certain time. We agree we probably could fairly settle it in five years, but it might take seven or eight years, and if it did, of course unemployment or labour is no problem for us.

By Hon. Mr. Calder:

Q. Sir Edward, your suggested plan, as I understand it now, would be this: so far as all your chief officers are concerned, they would drop having the idea that their system is in competition with your system?—A. Completely.

Q. That would be dropped?—A. That would be the effect.

Q. And you would approach the problem from this standpoint, you would have only one set of officials, with so many thousand miles of railway, and the idea of those officials would be to put every part of the system in shape, regardless of whether it belonged to the C.P.R. or to the C.N.R., so that they can give the best service at the lowest possible cost?—A. Exactly; that is the idea behind the scheme broadly.

Q. At present, according to the evidence we have had in connection with co-operation you have two sets of officials who desire to effect economies, but who always have in the back of their heads the idea, "Well, now, this is our railway, and the other is their railway, and we must be very careful not to let this go and that go, and so on." That is the difference between the two situations?—A. Yes, sir.

Q. So far as the actual handling of the situation is concerned?—A. That is a human approach to the problem is entirely different.

Q. Exactly.

By Right Hon. Mr. Meighen:

Q. Sir Edward, assuming maintenance outlay comes from the common purse as I presume it does, have you any suggestion as to how the Government or the Canadian National could make certain that a fair distribution of that money is applicable to maintenance goes to Canadian National properties?—A. Well, it is a common enterprise by that time, Mr. Meighen.

Q. I know. That is true. But we own our own properties and you own yours, and some provision would have to be made to maintain our properties on a parity with yours, or vice versa.—A. You can safely leave that with a joint board which will budget for the whole property so as to bring the maximum savings and maximum returns to the two companies.

By Hon. Mr. Black:

Q. I suppose the Transportation Commission, or whatever it would be called, would still be the overriding body?—A. Yes, sir.

Q. It would be one of its functions to see that there was no unfair treatment of either the Canadian National or the Canadian Pacific?

Right Hon. Mr. MEIGHEN: No, no.

Hon. Mr. CALDER: As I understand Sir Edward, Mr. Meighen, his idea is that this thing must be in perpetuity.

Some Hon. SENATORS: Sure.

Hon. Mr. CALDER: Consequently those who are in charge of maintaining the roads would have no object in favouring one as against the other.

Right Hon. Mr. MEIGHEN: On that basis you might as well amalgamate now. Sir Edward rather has the idea that with unified management for a period the results would be such that the public would be in favour of permanent. But such a plan involves the maintenance of our properties.

The WITNESS: Yes, but no greater than now. You have a Board of Directors of the Canadian National, and they have a say as to the allocation of the moneys required to take care of that property. You would have the same kind of board dealing with the properties, and you would have to rely on their judgment and honesty.

By Right Hon. Mr. Meighen:

Q. You would not like to give any intimation how that might be composed?—A. Even. I suggested in 1925 that five should be selected by us, five by the Government, and the other five by the ten.

Q. There would be a lot of thinking to be done there.—A. I am trying to keep politics out of this.

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By Hon. Mr. Horsey:

Q. Would you assume that the net income will be sufficient to pay all the charges and fixed charges of the Canadian Pacific, and pay the interest on the public—A. In time, yes, sir.

Q. In time. But suppose we take a more pessimistic view, and the net income is not enough to pay these things, is not the Government assuming another liability when this is in perpetuity?—A. I do not think so, for this reason. The division of the joint net earnings must be agreed in advance, and may be subject to revision over a period of years. But I am satisfied that never will they get so low—

Q. I think so myself, but we have to provide for all eventualities.—A. It is provided in our charter—

By Mr. Biggar:

Q. Suppose they get so low under unification, how low will they get under division?—A. They would be worse entirely. But if they could go so low that there would not be enough to pay the Canadian Pacific fixed charges, what then?

By Hon. Mr. Horsey:

Q. How would it look for 1937?—A. In 1937 we paid our fixed charges.

Q. Would there be enough to give the Canadian National \$8,000,000 or \$10,000,000?

Hon. Mr. HAIG: \$8,000,000.

The WITNESS: Our situation last year was this. Our net earnings was \$23,000,000; other income, \$11,629,000—a total of \$35,371,000. Fixed charges were \$1,041,000; advances to the Soo line, \$1,868,000. We took to surplus account \$462,000.

By Hon. Mr. McRae:

Q. What would it be for the Canadian mileage?—A. That is the Canadian.

Q. There is \$11,000,000?—A. From special account.

Q. Leaving that out, what would be the net?—A. Would you repeat that, please?

Q. Leaving out the special account, what would the net be on operating—leaving out the special account and the Soo line?—A. We would be just about the same as last year.

By Hon. Mr. Hugessen:

Q. Your position is that, having nothing but perpetual debentures on your system, the only result would be, if the net earnings fell below what was sufficient, the debenture holders would replace the stockholders?—A. Yes, sir.

Q. And elect five members to the board?—A. Yes, sir.

Right Hon. Mr. MEIGHEN: If they wanted to.

By the Chairman (Hon. Mr. Beaubien):

Q. You said unification could be put into force in from five to seven years?—A. Yes, sir.

Q. But could we expect some economy?—A. It would start immediately.

Q. And grow with the years?—A. We would take the obvious ones first, and that is why we would probably make faster progress in the first two or three years than we would in the third and fourth and fourth and fifth years.

By Mr. Biggar:

Q. There is another difficulty that has been suggested with regard to unification. It is the direction of this great organization which would have revenues and expenditures of the same order as the Dominion Government, and a

number of employees about five times as great as the number of civil servants. What would you have to say about that aspect of the situation?—A. It does not frighten me in the matter of organization and administration. If you look at that map you will see that these railways are parallel to each other, territory right across the country, though often not close together. There is more difficulty in operating 4,000 miles in Alberta or Saskatchewan than 2,000 miles. It is a matter of organization. Our organization is practically the same as that of the National. It is a geographical set-up.

Now, if you say, "What about your Board of Directors?"—that question was asked by the Royal Commission—"Can you get the kind of man that the public, as part owners in this arrangement, will trust?" I do not think there is a man in Canada who would not consider it an honour to serve on the board. I think we would get the best brains and the best character to go on the board willingly. If you cannot trust men of that type to administer property, we have sunk pretty low in this country. I think we can trust them. The railway employees and the railway officials of Canada are a very high class of men. I am probably a prejudiced witness in this, as well as in other things, but I have been associated with them practically all my life. I have been almost thirty-seven years in the employ of the Canadian Pacific, and have been President almost twenty years. Our men are excellent men, and I would trust them completely to work for a unified operation of this type.

Mr. Loree asked me that question before the Royal Commission, and Joseph Flavelle—"Do you think you can get the type of man you are talking about, a good chairman, a good president?" I said, "I think we can." Mr. Loree said, "There is such a thing as having too much power in a small group." I said, "You have only one president for 125,000,000 people in the United States," and he said, "Yes, and some of us are against him."

Some Hon. SENATORS: Oh, oh.

The WITNESS: But size is a pure matter of scientific organization, and the selection of the proper men.

By the Chairman (Hon. Mr. Beaubien):

Q. Will you follow that up a little further, because there is a very serious objection to unification by those who think you are going to create a state within the state? What is your answer to that?—A. My first answer would be that it is obvious that unified management cannot be accomplished unless, first of all, there is an agreement of the owners of these two companies. Secondly, that agreement must be confirmed by Parliament. I do not know why Parliament cannot pass the specifications to prevent the very thing happening that you suggest may happen.

Q. I do not suggest. It has been suggested.—A. In addition to that, we have an overriding tribunal in our minds, a glorified railway commission or transport board, which will have very wide powers as between these railways and the public interest. They already have fairly wide powers, but they could be increased, and the personnel improved. In saying that I am not criticizing the Board of Transport, if you are going to give them new problems to deal with, obviously you have to consider the personnel.

By the Chairman (Right Hon. Mr. Graham):

Q. Some of our people believe that making a board of directors too large has impaired its efficiency, that they did not get a proper idea of the work in hand and very often did not take sufficient interest to attend. In other words, it is a great deal of trouble to get them on the job and keep them together. On the other hand, if it is a small board, it is claimed that different parts of the country are better represented. I am not so strong on that. I have tried both methods, and I believe the smaller board is more efficient.—A. I think that is true. You have an executive committee of your board, and if you have a board of

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could have an executive of six, as we have. Our board is eighteen, and we have representatives from England and every part of the country. But if you have a big, unwieldy board, you do not get them together, and these men from distant places are of no practical value to the company.

By Hon. Mr. Horsey:

Q. Do you think freight rates would be as low as they are to-day, on a general average, if we had had only one transcontinental and not two? At certain points where there was no competition rates were the same, but suppose we had not had two transcontinentals?—A. I do not know of any rates that have been lowered as a result of anything either of us has done against the other.

Q. That is not the question.—A. It is as a railway proposition. I agree that other transportation methods—water and trucks—always will affect it.

Q. Competition will affect rates.—A. Yes.

By Mr. Biggar:

Q. One other point has been suggested by way of criticism of any plan of unification, and that is the drop in efficiency due to the absence of competition, as between the whole properties as such, but as between the individual officers opposite numbers throughout the country.—A. Frankly, that has always troubled me. I remember when Lord Shaughnessy wrote his letter to the government in 1921, we discussed that very often, and I said, "I am afraid that the men in the world will let themselves down without the spur of competition." Well," he said, "it should not be, and anyway the risk has got to be taken." In England they have quite a different conception. They have pooled some services; they have zoned their railway systems, and efficiency was never as high. They all admit it, and they practically have thrown competition as a controlling factor in efficiency out of the window there.

By Hon. Mr. Dandurand:

Q. You still held the same view in 1926?—A. I did, and I held it before the Senate Committee, sir. And I explained my worries about it very fully to the Senate Committee. But in the meantime, in the last twelve years, a great deal of money has been lost, and the attitude of our people towards public responsibility and obligation is better than it ever was. I think public opinion is a greater regulative force in producing efficiency than mere railway competition is. We cannot get rid of competition, in any event, because we have motor bus and air and water transportation services.

By Mr. Biggar:

Q. And there will be quite a good deal of competition from them?—A. Yes. I think also that the stimulus of achievement is a bigger factor than it has been.

By Hon. Mr. Calder:

Q. It seems to me that there is one feature of this situation that we have to make absolutely clear, as far as the public is concerned, and that is whether or not the physical properties are going to be joined, and joined extensively. I know there is a great deal of opposition to unification because of the feeling that these two railway systems are going to lose their identity through amalgamation. Now, what does Sir Edward's plan of unification mean? Does it virtually mean amalgamation? If so, we should let the people and parliament know that. Senator Meighen has referred to the desirability of retaining the properties of the Canadian National in their present physical condition, or at least so. That is, it should be seen that the necessary moneys are provided so that the government property can be maintained in a certain condition. But, as

I understand it, that will not be done if Sir Edward's unification plan is adopted. Necessarily, through the process of amalgamation, these properties must be joined more and more and more all the time, in order to effect economies. They are used more in common, sir, that is all you mean. It is a joint management.

Q. But so far as the physical railways are concerned, their shops and equipment and telegraphs, and so on, these will all be joined and parts of them destroyed in the process. Miles of telegraph lines, for instance, would be torn down and thrown away as useless. Now, that procedure would not leave either property in its present physical condition. We must get a clear understanding as to that, otherwise we shall not know where we are heading.

MR. BIGGAR: I thought Sir Edward made that perfectly clear in answer to my first question.

Q. In view of what Senator Calder has said, have you anything to add to what you said before on that point?—A. No, sir, I have not. This plan is essentially one for unified management, with wide discretion in the management of the company as to what measures shall be adopted to effect economies and improve services.

By Hon. Mr. Dandurand:

Q. And there never could be an unscrambling?—A. I think not. It would not be impossible, Senator, but it would be very difficult.

By Hon. Mr. Calder:

Q. As an example, take Ottawa. Suppose it were decided to use one shop here. There are two shops here now. Well, the other would have to be abandoned, torn down, and it would not exist any longer. In brief, the unification would not leave either the Canadian Pacific or the Canadian National in the position it was before.—A. The same thing under co-operation. But do not forget, Senator, that joint facilities of railway companies are the common thing that I know of in North America. For example, there are the large stations. Millions of dollars were spent—unwisely in some cases, I felt—the building of elaborate joint terminals. In any event, joint facilities have been provided at these places, and always have been. To my mind unification of management means simply this, that the new board of directors would represent both railway companies, and if in their wisdom they saw fit to do anything in the interests of the public or of the railways, it would be done, whether or not that necessitated destroying certain property.

HON. MR. BALLANTYNE: Mr. Chairman, may I interject a word? The reason why we have Sir Edward here is the serious financial condition of the country and the terrible railway deficits that it has to face from year to year. If these two railway companies happened to be instead manufacturing concerns that were losing a lot of money, they would be joined, for the purpose of wiping out the deficits, improving the plants and the quality of output,—in other words, to lower costs and give better service to the public, to customers. A planned merger is really a benefit to the consuming public. Some people take a different view, and say that when a merger becomes very large there is too much capital combined and this is a detriment to the public. But this has been proven by the merging of manufacturing corporations.

Now, the railway problem is a business problem. As Sir Edward has clearly set forth in his statement this morning, the whole object of his plan is to give better railway services. That means that by and by they would be given at a lower cost and the country would be relieved of the present terrible heavy burden. Of course, the railways could not be unscrambled if they were joined, any more than manufacturing plants can be unscrambled. I think

[Sir Edward Beatty, G.B.E.]

When we are discussing this subject we must always keep before us the financial question. It is really the paramount question. We should not consider the chief thing to be what Senator Calder was asking about, namely, what would happen to this or that road, but, rather, what is best in the interests of the Canadian people. I for one want to thank Sir Edward for the very fine statement that he placed before the committee this morning. I believe the majority of our people are beginning to understand that this problem must be tackled, and that the only way of doing it is by unification of the railroads. We might as well get out of our minds any notion that unification would be a temporary measure. It has been clearly shown here this morning that it would be a perpetual one, and in the best interests of the Canadian people.

Hon. Mr. DANDURAND: I would draw the attention of my honourable friend to the fact that Sir Edward is not through yet.

Hon. Mr. MURDOCK: May I say a word now? Our friend Mr. Chairman Beaubien started this entire inquiry with a view to helping the forgotten taxpayer of Canada and relieving him from a burden of \$50,000,000 to \$75,000,000 a year. Now, I have been listening patiently all morning for some suggestions as to where the forgotten taxpayer was going to get off. I have heard about guaranteed earnings for this one and that one, but nothing about the forgotten taxpayer, about where he is going to get off. That is the point I should like to hear developed.

The CHAIRMAN (Hon. Mr. Beaubien): I understand that is a question addressed to you, Sir Edward. You are on the stand.

The WITNESS: I can tell Senator Murdock that of course we are going to approach that part of the problem a little later, and as frankly as we know how.

Hon. Mr. DANDURAND: Of course, we shall go through every detail of the savings that it is alleged will flow from unified management. But we are just beginning.

By Hon. Mr. Robinson:

Q. As to the debt obligations, the bond issues, the liabilities of the Canadian Pacific, do I understand that if the interest is not paid on the bond issues the holders become just stockholders?—A. On the Canadian Pacific proper, yes, sir.

Q. The question of competition has been mentioned. Sir Edward has said that he himself at the outset was a little afraid that without competition the best men in the world would let themselves down, but that that idea has been thrown out of the window in Great Britain. I was just going to ask whether in Western Canada the advent of the Canadian Northern did not accomplish a revolution in the Canadian Pacific itself, which at that time had a rather bad—
—A. Odour?

Q. And was in bad condition?—A. There is no question. As to the conditions of the 90's, with the monopoly, I have got to tell you that some of those complaints were warranted, and we did act unwisely. But we cannot do that any more, even if we wanted to, and we have no inclination to do it now. I think we have learned a lot about our own business in the last forty years.

Q. But your condition was improved by the competition?—A. When we were alone out there, senator, when we were a monopoly, we were unpopular. From the advent of competing railways, we regained a great deal of our popularity, because the people started to compare our services, and they found out we were not so bad, after all. But this is 1938, and I do not think there is any responsible railway officer in Canada to-day who is not as good a public servant as any man in the Government. He is anxious to do his duty, and he is doing it.

Q. That is, because of competition?—A. No, but because he wants the achievement.

By Hon. Mr. Calder:

Q. You will remember, Sir Edward, all the trouble there was in the W about car distribution, in the old days?—A. Yes.

Q. That condition could not exist now, because we have a Board of Railway Commissioners to insist upon certain services?—A. And we had not a money then.

By Hon. Mr. Murdock:

Q. I wonder if you would explain a little further a statement that I find on page 22 of your memorandum. Senator Beaubien raised the same point when we opened the discussion in the Senate, and I declared my inability to analyse it. You say:—

I find also that in Canada, for each unit of operating revenue, the railways employ over 40 per cent more workers than do the Class 1 railroads of the United States.

Having rambled all over the United States on railroads, I was surprised when I heard that stated by Senator Beaubien. And it is still surprising to me. I wish you would analyse it and indicate what you mean by "unit of operating revenue."—A. Here, senator, is a comparison between Canadian and United States roads in 1936:—

	U.S. Class 1 Roads	All Canadian Roads	Excess Can. Roads over U.S. Roads
Operating revenue	\$4,052,734,139	\$334,768,557	
Average number of employees	1,065,624	123,818	
Number of employees per million dollars of operating revenue	263	370	40.7%

These are official figures.

Mr. BIGGAR: I have come to the end of that particular subject, Sir Edward.

Hon. Mr. BLACK: We had better adjourn now, I think, rather than to raise up any new question at this hour.

Hon. Mr. DANDURAND: I think we shall be through our work in the Senate by 4 o'clock, if we all strive to that end.

Hon. Mr. HAIG: Mr. Chairman, I would like to ask something.

The committee adjourned, to meet again after the Senate rises.

The committee resumed at 4.10 p.m.

Sir EDWARD BEATTY was recalled, and took the stand.

By Mr. Biggar:

Q. Sir Edward, there are one or two points that were suggested during the luncheon adjournment. The first is the point raised by Senator Murdock just before we adjourned. It is suggested that the gross revenues per mile of road in the United States are very much more considerable than they are per mile of road in Canada. The figures I have are \$7,662 in Canada as against \$17,662 in the United States.—A. Yes.

Q. It is suggested that the difference is in the number of employees per mile. A. It makes a difference, but whether it accounts for the full difference is another question.

Q. It might equalize it, but it would not put it over the other way?—A. Yes. [Sir Edward Beatty, G.B.E.]

Q. The other point was that even if you take it per mile of road there are only 2·83 employees per mile in Canada as against 4·51 in the United States.—
Yes.

Q. That is right?—A. Well, it is a very considerable difference. I have no doubt it is an official figure. We have not worked it out ourselves, but if you want confirmation of it, you can get it.

Right Hon. Mr. MEIGHEN: What is it?

Mr. BIGGAR: 2·83 in Canada as against 4·51 in the United States in the class I roads.

By Mr. Biggar:

Q. Then it was suggested that perhaps a word might usefully be added to what was said this morning on the point Senator Calder raised with regard to the recognition by this united management of a property line distinguishing the Canadian National property from the Canadian Pacific property in the administration of the two lines as a unit.—A. Under our plan the absolute distinctness of administration is the important thing, and for the purposes of management they would treat it as one property, as they saw fit in the interest of savings in respect of each. So there would not be any very closely marked property distinctions in dealing with the subject.

I would like to add, though, that I do not know if we are not placing undue emphasis on this subject of a physical merger in the process of working out these economies. It is very difficult to estimate with any degree of accuracy. But if we did go on and later, much later, had to unscramble, there is a great deal of what we have done that would remain joint in use even after the divorce took place.

Q. Yes?—A. When two railways join in a terminal for reasons of economy, for public convenience, they do not change that because they go into another form of administration; and that would happen in respect of certain lines over which we jointly operate. If it was economical it would leave a great many as they were.

Q. And the competition would begin— —A. Outside.

Q. On the new footing?—A. Yes.

Q. And eliminating competition with respect to these things used jointly?—
As I said this morning, the use of joint facilities is very common in North America. It simply means that for their own purposes, for public convenience or economy, they join up and use a common facility. That is very common throughout the United States and Canada.

By Hon. Mr. Calder:

Q. Would that apply to lines of railway where one is abandoned?—A. Yes, principally in that case, or in joint terminals.

Q. Or joint shops?—A. Or joint roundhouses.

Q. They could continue?—A. Quite, if it was economical to do it.

By Hon. Mr. Horsey:

Q. How can these great savings be made when they have to come before the Board of Railway Commissioners, and already in small matters under co-operation they have been unable to make any progress because the Board has decided that in the public interest they cannot abandon lines? You spoke of giving the Board greater powers. But would there not have to be some outside authority to say that these economies must be made?—A. There would be an outside authority in this instance. I would think we would get great support for that policy and the carrying out of the necessary works from the statute itself which provided for unification, and confirmed the contract between the companies. I think that would be taken by any tribunal.

Q. They would have to modify their opinion.—A. On the basis of public opinion at that time.

By Mr. Biggar:

Q. With regard to the political power of the single organization extending from coast to coast?—A. Well, maybe I did not quite understand the purport of Senator Murdock's question. My feeling is this: that if we had a private corporation formed for administering these properties, and composed of an independent board of directors in which, of course, we would be represented, we would have much less possibility of political interference than we would have under the present system. There is always a certain amount, I imagine, of loose talk as to what political interference means and what effect it is. Sir Henry Thornton dealt with that very fully in his evidence before the Royal Commission. He said because a company was owned by the Government it was subject to political pressure, and he thought it was bad for the system. Now, I have been president of this company, as I said this morning, for almost twenty years, and I have never seen any evidence of that among our employees. I do not know how a single man in the Canadian Pacific ever voted in his life, and I do not want to know. There is no pressure upon any employee of the C.P.R., except to exercise the franchise and vote as he sees fit. The fact that that is pretty prevalent is indicated by their joining in to all sorts of groups and getting leave of absence to vote and coming back when the election is over. We have made no effort, and I do not see any political move among our employees whatever.

The National is different. It is owned by the people of the country. Its directors are appointed by the Government. There is more of a political complexion within the organization than there would be in an ordinary private institution. Nobody is to blame. It is just the result of a system. I made it very clear in my evidence to the Royal Commission that that was one of the great distinctions between the organization of a private enterprise, even a big company, and one that is peculiarly a government one. But I would think that under unified management the chances of political interference or influence from within or without would be very much less than under the present situation.

Q. You are speaking of influence from outside on the railway?—A. Yes.

Q. What about influence from the railway on the political course taken by the Canadian Government?—A. Well, it should not be anything more than the advice of experts, or people to whom was consigned the administration of a large property in which the Government had an interest. I should say that the Board of Directors and the management of the new company—because I imagine there again that the provisions of the unification Act would be improved—would act just as if they were running it for a group of private shareholders. It is true that the Government representatives on the Board would have every right to reflect the Government's attitude towards transportation; but they would be pretty well influenced on the other side by the men who have charge of the other ten, eight, or whatever it may be. There again, I think, we are in a more protected position than in the present situation.

Q. I have a feeling that perhaps those who feel that danger of a split within a state are rather troubled about the possibility of the whole 150,000 to 200,000 employees of this great organization throwing their influence one way or the other by reason of a class necessity. What do you think of the possibility of that?—A. Well, sir, it never has shown itself in Canada to any material degree as far as I know.

[Sir Edward Beatty, G.B.E.]

By Hon. Mr. Dandurand:

Q. You are very young.—A. I can only go back to my own experience. My own experience with the Canadian Pacific and its employees is that there has been no class movement of employees. They are groups of individuals. They vote in accordance with their own interests and the policy they approve of.

By Mr. Biggar:

Q. And they do not swing to one side or the other?—A. Not that I have seen.

By Hon. Mr. Black:

Q. In the labour organizations to-day, the Brotherhood of Railway Trainmen, do they embrace members of the running crews of the C.P.R. as well as of the C.N.R.?—A. Yes.

Q. Therefore the Brotherhood now embraces both railways?—A. Yes.

Q. Would they not have almost as much influence separated as if they were united?

Hon. Mr. DANDURAND: I did not notice that the emphasis was on the word "class"; but, as to the railways having a policy of their own, it has been evidenced in their history within my time; and I feel that you will have to meet this general sentiment around the country to a certain extent, that it is somewhat imprudent to confide to ten or fifteen men the control of 40,000 miles of railway having 150,000 to 200,000 employees when, on a certain matter, they may be swayed by the declarations or the influence of that board. I mentioned the fact that twice during the last thirty years the C.P.R. authorities—and I see Sir William Van Horne taking considerable of a hand—opposed reciprocity in natural products, for instance, because the C.P.R.—and I suppose the Canadian National would have felt the same way if it had been covering the West—wanted an east and west policy rather than a north and south policy. I mention that there will be that fear, and you will have to meet it, that it is a formidable power to hand over to a group of ten or fifteen men having under their sway 150,000 to 200,000 employees. That is what you will have to meet.—A. I understand what you mean, Senator. But is it correct to assume that these ten or fifteen men are going to ever exert, if they could, that kind of influence? It has never happened in our company. You say Sir William Van Horne was opposed to reciprocity in 1911. Is it not possible when he came to that conclusion that he was satisfied as a Canadian citizen that that was the policy which was more in the interests of the country than any other at that time? The fact that he was president of a railway I do not think is conclusive that he was acting because he was a railroad man. There were other people in the country who felt as he said he did.

Q. He was representing railway interests.

By the Chairman (Right Hon. Mr. Graham):

Q. Quite a lot did, I found.—A. Well, Sir William Van Horne, of course, was not president of the company in 1911. Sir Thomas Shaughnessy was president then. Sir William had retired in 1899.

By Hon. Mr. Dandurand:

Q. I mentioned that example to indicate to you what may be in the mind of the people when they will have to decide as to giving such a formidable monopoly to a certain number of men. I say "monopoly" because it covers the whole railway activities of the country.—A. I do not believe, senator, that is a very great danger. I do not believe any wise executive in the railway would attempt to influence men in exercising their franchise.

By the Chairman (Right Hon. Mr. Graham):

Q. Don't you think conditions have changed since—A. 1911?

Q. No. I am a little older than you are, you see, and I used always to put down employees of a certain railway as against me, because if any of them were found to be going to vote for me, they were sent outside the riding for a day or two.

Some Hon. MEMBERS: Oh, oh.

By the Chairman (Right Hon. Mr. Graham):

Q. Transportation was free, you see. The pay went on. But I must say this, I do not think that idea has prevailed very much of late years. I am free to say that. I think the men themselves would not tolerate it.—A. They never have in our company.

Q. Unless a man was weak-kneed, his union would rise up and say, "We will not stand for your firing him. Fire him if you dare!" Perhaps you and I may be tinctured with this old stuff. We have had experience of it, but I am free to say I do not think it exists to any such extent to-day.

By the Chairman (Hon. Mr. Beaubien):

Q. Don't you think, Sir Edward, that to sway 150,000 men there would have to be an appeal to their personal interests as a class, and if that is the case it can be done now.—A. Yes, I suppose it can be done now. I suppose it is an appeal made to many different classes of people in Canada. Their own interests they are told, rest in following certain people in certain politics. I do not think you can ever stop that.

The CHAIRMAN (Right Hon. Mr. Graham): They are not such a large heap together.

Hon. Mr. Côté: The C. N. R. are a pretty large heap.

The CHAIRMAN (Right Hon. Mr. Graham): I don't know how great a heap it is.

By Mr. Biggar:

Q. I suppose, Sir Edward, to return to the alternative you have referred to in your memorandum about the railways being presently in an unsound economic position, and to the possibility of something more serious than unification if traffic does not go back to the 1930 level. Would you discuss the prospects for the future on the assumption there is no intervention by Parliament?—A. I take a rather optimistic view of my own company's prospects because of the way it has weathered the storm of the last few years. I expressed that to my shareholders at the Annual Meeting on May 4. This is the way I put it:—

Your well-located, well-constructed, and well-maintained properties are in condition to ensure efficient and modern transportation service for the nation. Even if the company's properties continue to be operated separately and in competition with the Canadian National Railways, my considered view is that there is no reason for pessimism in regard to the future outlook of the company. It is hardly necessary for me to repeat that, should they be joined with those of the Government-owned railway in a rationalized system, most important advantages would result to the owners of both properties.

The basis for that statement, in part, was this. If in 1937 the company had had net earnings equal to those of 1930, namely, \$38,249,000, our results for 1937 would be as follows: Net earnings, \$38,249,000, with the other income of \$11,630,000, or a total of \$49,879,000. Fixed charges \$24,042,000; Guarantee

[Sir Edward Beatty, G.B.E.]

interest on Soo Line bonds, which we paid, \$1,868,000, making a total deduction of \$25,910,000, which would leave \$23,969,000. After deducting a full 4 per cent on the preference stock, amounting to \$5,490,000, and the amount Reserve Account Soo Line Advances of \$3,849,000—which is not a proper charge against current earnings but to profit and loss—there would be left an amount of \$14,529,000, equal to $4\frac{1}{2}$ per cent on the ordinary capital stock. If the special charge of \$3,849,000 in regard to the Soo line be not taken into account, the balance of current earnings would be \$18,378,000 available for the ordinary capital stock, which of course is a little more than 5 per cent. So I am hopeful. I do not believe, Colonel, we are going to be in the doldrums for a long while, but we have accumulated very heavy losses in the last nineteen years, very heavy indeed. Those have added to the company's railway obligations to such an extent that it will take more than any ordinary increase in business to put us in what I would say was a wholesomely solvent condition. I am looking at both railways.

Q. Yes.—A. We will get by, but we shall not be able to say, even to ourselves, that we are unduly prosperous unless there is a complete and sudden uptake in traffic.

Q. And if that does not happen, and we do not get back to 1930, what would be the prospect?—A. Then the prospect would be this. Of course, we shall be dragging along with insufficient earnings, and we shall have engaged, I suppose, in all these distressed economies that we practised in the depth of the depression—not a pleasing thing to do, but sometimes it is necessary. It will probably be done by both companies in order to come through until the sun is shining a little brighter. That, of course, is not a very optimistic picture put that way, but it is a possibility.

Q. We had from the Bureau of Statistics a chart, No. 24, which indicates that the railways, taken together, are getting progressively rather less than their share of the business of the country. Do you agree with that as a serious indication?—A. Not yet. We are suffering of course from trucks, to a less extent from buses, and we are suffering from the general use of the private motor car. We have always had water competition, and we probably always will have it, and that will take a portion, not a very great percentage of the total trade of Canada, but a very large part during certain months of the year of certain heavy commodities which move in bulk. I have tried to get for the committee, because I thought you might ask me that question, some estimate of what all this means in the aggregate in tonnage, and I could not get it. I could get some cases, but they did not seem to be based on anything. When the motor industry began and before they took to the highway in such profusion as they have in recent years, of course the railways gained more than they lost by the establishment of such a mammoth industry. I remember a good many years ago discussing with the Vice-President of the New York Central what it had meant to his company. He estimated they had lost \$8,000,000 in freight traffic the year before, but the total value to them of the carrying of motor cars, motor parts and all the ancillary things amounted to \$80,000,000.

Q. I see.—A. But that was just the beginning of the highway competition, before they actually began to feel it. I do not think those proportions exist to-day; it would be the other way around.

Q. Then would you agree with Mr. Fairweather's suggestion that it is not only straight motor road competition, but also water competition that has become very much more effective by reason of the motor truck acting as a distributor from the port terminal?—A. The combination is more serious to us.

Q. It has increased the efficiency of the water competition?—A. Yes; and when there has been, as you know, a very heavy rate-cutting on the water, which has tended to divert more traffic. It is a factor that we have to take into consideration.

Q. Have you ever considered intervening in water and road transportation as part of the railway undertaking?—A. Of course, we are both more or less concerned in water competition in a minor way on the Great Lakes service from the early '80's. I think if we had a unified operation of these companies unquestionably to some extent we would be in the motor business. We are now of course, in the terminal deliveries—such things as that—but I think that would be much more likely if we were together, because we could do it then much more cheaply than if we established separate services in each place.

Q. Now, it has been suggested, and I think some of the references are contained in the memorandum which you read this morning, that one way of solving the railway problem in Canada would be an increase in rates. The Duff Commission suggested in its report a complete revision of the basis of rates. What is your view about that?—A. Personally, I would be opposed to it, Colonel, because I do not believe that is the way out. I don't think we need more expensive transportation in Canada, but less expensive in view of our distances and other difficulties. Then, while we are exploring that side very carefully, both the Canadian National and ourselves, I am afraid we would only strengthen the position of our road and water competitors if we made any substantial increase in rates. We cannot increase grain rates because they are statutory, and if we increased the short-haul basis of merchandise rates we would simply intensify the advantages which the motor truck already possesses over us. Therefore we would be reduced to the long-haul traffic, which is not subject to the same extent to motor competition. I still would think we would not gain enough out of it to pay for the undoubted criticism we would receive.

By the Chairman (Right Hon. Mr. Graham):

Q. You are getting the benefit of your pick-up and delivery by truck?—A. A distinct benefit. We are doing very well by that service. Both companies I understand, are handling it the same way.

By Mr. Biggar:

Q. In your memorandum which you read this morning, Sir Edward, speaking of grain—the bottom of page 18 and the top of page 19, you say that the charges for the distribution and handling have to be such as to permit the delivery of grain into the markets of the world in competition with the grain of other countries, and that therefore the charges must be so and so. I suppose you mean really that it is better for the railways to have the grain grown and hauled than not to have it hauled at all, which would happen if the rates were higher?—A. Yes. If I might add a word there, Colonel Biggar? Sir William Van Horne made an agreement with the Government for the Crow's Nest Pass rates. A great many people criticized that because they said he only got \$3,000,000 odd in the way of subsidies for building that line, and in consideration of that he made this very drastic reduction on grain rates, and certain other commodities westward bound. I have always thought Sir William Van Horne was 100 per cent right. He knew the geography of this country, he knew where our competition would come from, and he knew our only salvation in the markets overseas was low freight rates in Canada in view of our distances. I think he went into that with his eyes open and undoubtedly made a good bargain. I think he made a good one both for the country and the railways. And that must have been the influence that actuated him in that matter.

Q. And there are certain railway rates, apart even from grain rates, and there not, that have been determined as in the national interest rather than in the interest of the railways as commercial organizations, that is to say, as money-making organizations?—A. Yes, some.

[Sir Edward Beatty, G.B.E.]

Q. And do you not suggest that these should be revised on any other basis, or do you?—A. No, sir, I do not, not at this moment. I hate to prophesy about what might happen in the event of a real depression continuing and the companies not being able to meet it; but I do not think increasing freight rates, at the moment, at all events, in Canada, are the answer to our problem.

Q. And I suppose you would not take the view that no matter how difficult it may become, having regard to future development, to earn money on the capital invested in railways, that the people of this country would have to go on running railways indefinitely for the national interest?—A. No, I do not think that would apply in all cases. There are railways in this Canada that are purely national, not commercial. I am referring to the Intercolonial. The Intercolonial is not changed in its status in this arrangement that we suggest. But there is a very common feeling throughout the country that the Intercolonial, as a national work, was constructed for a specific purpose and should not be considered a commercial undertaking. I should not have any objection to the Intercolonial being excluded from this thing and being run by the Government as they saw fit, in the national interest. There seems to be some implication that those who contend for that theory are not entirely wrong historically. However, we have not considered that at all, in this; we have just treated the Intercolonial as one of the railways operated by the Canadian National, which would be operated in turn by the joint company.

Q. So that for the present you are not suggesting that the situation could be met by any substantial changes in rates?—A. No.

By Right Honourable Mr. Meighen:

Q. In view of the explicit policy embodied in the Maritime Freight Rates Act, you are not suggesting that the Intercolonial be severed from the other railways and be run as a government railway?—A. No, I am not suggesting it. I am just saying that there is some support for the theory. It is the property of the Government, and the Government are the only people who can determine the policy.

Q. That applies to all the National railways?—A. Not quite to the same extent. Those other railways were built for commercial purposes, and gratuitously or otherwise fell into the hands of the Government.

By Hon. Mr. Dandurand:

Q. Built for commercial purposes and colonization?—A. Yes.

By Mr. Biggar:

Q. There are a couple of passages in your memorandum that I think it would be useful to say a word about in explanation. You say that the saving so far from co-operation, \$1,135,000, represents thirty per cent of the former cost. We have had no figures on that point before us so far. Can you tell me where they can be got?—A. Yes, sir. I have a memorandum here, prepared for me by our Comptroller. It says:

Expenses prior to co-operation on the projects now in effect:—	
Canadian Pacific Railway.....	\$1,682,000 odd
Canadian National Railways.....	1,586,000 odd
	<hr/>
	\$3,269,000
Savings from co-operation on these projects: \$1,074,000.	
Percentage of savings to the prior expenses: 32.9.	

Q. He just gives you that statement without saying what the original expenses were?—A. The first two figures that I gave were the original expenses: \$3,269,000.

Q. The other passage related to the total savings of labour under unification, which are estimated at fifteen to seventeen per cent. It does not say what.—A. In money. They will be the subject of a separate exhibit, Colonel Biggar.

By Hon. Mr. Murdock:

Q. Would that not be fifteen or seventeen per cent of the 132,000 employees?—A. I think it is 123,000.

Q. It was 132,000 for the last year we got. Did that fifteen or seventeen per cent not have relation to the number of employees?

Mr. BIGGAR: I could not find to what the fifteen or seventeen per cent related.

Hon. Mr. MURDOCK: That is how it appears to read, all the way through.

Mr. BIGGAR: I thought that it meant fifteen or seventeen per cent of the savings.

Hon. Mr. MURDOCK: No; of the number of employees.

The WITNESS: Our computations, which of course will be developed, a 15.2 per cent of employees and seventeen per cent of combined operating expenses of the two companies.

By Hon. Mr. Murdock:

Q. I think when you referred, in your proposals before the Royal Commission, to a saving of \$75,000,000 a year, you estimated a labour saving \$64,000,000?—A. Oh no, sir. That was on everything, Senator, the whole operating expenses, that \$64,000,000.

Mr. BIGGAR: That is all the questions I have to ask Sir Edward on the general points.

By Hon. Mr. Haig:

Q. Sir Edward Beatty, I feel a good deal of opposition to your suggestion for unification, because the largest saving outside of abandonments will come from curtailment of the number of employees. You dealt with it in your submission this morning. Would you give us a little more detail of how the situation would be met? When the English railways joined together they estimated that 70 per cent of the employees were permanent and 30 were not permanent. The railways guaranteed to look after the 70 per cent, and the Government took care of the 30 per cent. Could you outline to us, with as much detail as you have, just how the personnel will be dealt with? In the part of the country where I come from the real opposition to unification arises from this labour question; not so much from the men themselves, but from the citizens at large, because nearly everybody in a large railway centre, like Winnipeg, would be affected. They are afraid of that feature of the plan. Can you give us a little more information on that?—A. Of course you appreciate, Senator, that attrition goes on every year. That attrition will take care of more employees than we could ordinarily do without under the unification system. For we know that these men do not all retire at the same time, nor in the same percentages as among groups. For instance, a statement that appeared some time ago, with regard to the United States and Canada as well, indicated that the lowest percentage of turnover in railway labour was in train service, namely two and one-half per cent. Now, it would take more than five years to absorb that. But it is not a very serious problem, in this way: the railways have three ways of meeting it—they can reduce the age at which men may voluntarily retire, from 65 to 60; they may do, as was done in the United States, provide for an allowance to a man, graded on his service, over a period of years; they could simply extend the period within which the maximum economy is

[Sir Edward Beatty, G.B.E.]

secured. The last mentioned method would be the simplest of all. It might be, for example, that we could not reach the full savings for seven years. We would not worry about that, if it meant that there would be no dislocation of labour; the only changes being made by those who voluntarily retire from the service, or die, or retire under the pension rules of the company. I have given a part of the subject a great deal of consideration, because I realized that what you said is true, as to the general feeling, and I also realized the unfairness to the men who became railroaders because they thought that railroad service offered a fair opportunity for a livelihood, and who have had nothing to do with the conditions that brought about this situation which we are viewing today. So I am prepared to go very far in meeting that human demand arising out of this situation. The British handled the matter in one way; the Americans handled it in another. The British simply said that no man with more than five years' experience should be demoted or discharged in consequence of the conditions. It took them quite a long while to work it out over there, but they did it and they have benefited from it, and labour is very well satisfied.

By Hon. Mr. Parent:

Q. Have you any idea what was done in France with regard to the same matter?—A. No, I have not. I think that whatever has been done in France has been done too recently to be of much help to us. I know that the railways have been practically taken over.

By Hon. Mr. Calder:

Q. You feel that within a period of ten years that whole phase of the question would be cleaned up?—A. By itself.

Q. Satisfactorily?—A. Satisfactorily. I do not think there is any doubt that there would be no dislocation in labour, no hardship, if we took it up. Q. Any dislocation that there would be, in the first year or two, would be taken care of?—A. By allowances.

By Hon. Mr. Horsey:

Q. I want to ask a question about the financial aspect now. A member of the committee said that was very important, and we all feel it is. I presume that if the railways were unified the Canadian Pacific would have to be satisfied with the financial terms, with the division of the net income, and so on. Now, if we had some idea of the basis upon which that division would be made, it would be useful.—A. I do not think I could give you it *ex parte*.

Q. I know it would have to be made by agreement.—A. I do not think there is any way we could reach that separately.

Q. Have you any idea, as regards the Canadian Pacific?—A. There have been witnesses before you, as there were before the Royal Commission, who attempted to estimate it 40-60, 50-50 and 60-40. I could not say.

Q. You gave a submission to the Royal Commission, I think?—A. Confidentially we gave a submission to the Royal Commission, which they have never published, so far as I know.

By Hon. Mr. Murdock:

Q. We have that published before us in the evidence?—A. No, that is not the case. There was a special exhibit prepared for their very confidential information, and I think they received it on the 1st of July, 1932.

Q. Is it fair to ask, did the Canadian Manufacturers' Association get it?—A. No.

Q. They referred to it recently, in an article?—A. They never got it, as far as I know, Senator. I do not see how anybody could get it.

By Hon. Mr. Horsey:

Q. We would need to have some idea of the approximate basis. You are putting up the proposition, as it were, that unification is the solution. No doubt in some ways it will save losses. Then it comes to the question of the net income. How will that be divided or distributed?—A. I do not think I can put that in anybody but those who represent the owners of the other system. If they thought it worth while to consider it, of course we would go into conference and try to reach it formally.

Q. It is almost a main point for us here.—A. I was wondering if that is true, Senator, because after all the Committee, under the resolution, are directed to investigate certain things, but I do not think they are required to find a solution.

Q. If there was not a saving to the Canadian National, for instance, it would make a big difference?—A. That is on the savings, not on the division.

Q. I mean on the division afterwards.—A. We have gone this far, that at least half of the savings should go to the Canadian National. But that is not the difficult part. The difficult part is to find a formula of dividing the present revenue, before savings.

Q. You would have to be satisfied?—A. Oh, yes, of course we would. Both parties have to be satisfied.

By Hon. Mr. Hughes:

Q. Mr. Chairman, may I put a question? If I understood Sir Edward Beatty aright, this forenoon he made the statement that it was not contemplated that the C.P.R. would put all its property into the proposed unified or amalgamated system.—A. All its rail property it would.

Q. But not its ships?—A. I said that that had not been settled, because it had never been discussed with anybody the extent to which the outside service of either company could be grouped in this plan.

Q. If the two railway corporations did not put all their property into the proposed unified system, would they not still exist as corporate entities to manage what would be left, so that instead of two systems we would have four?

Mr. BIGGAR: One railway system, and two systems outside.

By Hon. Mr. Hughes:

Q. Would not that very much complicate it?—A. They would not overcomplicate it at all.

Q. Another question. Would it be contemplated that the C.N.R. would put all its property into the amalgamated or unified system?—A. I do not know whether they would consider putting in their ships or not.

By Right Hon. Mr. Meighen:

Q. What ships?—A. Their West Indies services. It is intended that all services which are connected with or operated in connection with the railway, like our coast services and the Bay of Fundy service, would go into the merger because that is really part of the railway operation.

By Hon. Mr. Hughes:

Q. Would it be possible to put in all the properties and have a proposed unified system?—A. I do not know.

The CHAIRMAN (Right Hon. Mr. Graham): The additions might not make it really workable.

By Hon. Mr. Murdock:

Q. Will you pardon me going back to the statement in No. 10 of the Proceedings, to Exhibit No. 49, which is headed:—

[Sir Edward Beatty, G.B.E.]

Economies possible by unification of Canadian National System and Canadian Pacific System under private management (Exhibit "G" filed by C.P. Railway before Royal Commission on Transportation).

Then there is a summary which goes on to enumerate.—A. Yes.

Q. There is a total annual net gain of \$75,373,000 and a decrease of railway operating expenses of \$64,268,000. Was there something else filed besides that?—

A. Oh, yes, there was a very detailed guess or forecast of the future.

Q. This is detailed?—A. Oh, yes. That has to do entirely with savings. The other, which Senator Horsey was referring to, was the division of the net earnings.

By Hon. Mr. Cote:

Q. May I ask a question on a point dealt with this morning, the capital structure of the C.P.R. I understood from your evidence that most of the capital structure was of such a nature that if the interest thereon was not paid, the holders of the security would not be in a position to—A. Take the property.

Q. That there were some bonds, though.—A. Some bonds on lease lines, not on the C.P.R. proper.

Q. On which they would have recourse?—A. Yes, to the extent to which they were affected. But you will remember that I said in these circumstances, in view of the limited number of these, we would not have any difficulty in getting approval of any plan of unification.

By Hon. Mr. Calder:

Q. Sir Edward, it seems to me that we have reached this point. Let us assume for argument's sake that the majority of this committee is in favour of unification as you have outlined it. The most this committee could do would be to suggest to the government that it investigate that question further, and if they found they could make a satisfactory contract with the C.P.R. as regards the division of the net earnings of the road, that they might proceed. You stated that you were not in a position at the present time to give us any real idea as to how those net profits should be divided.—A. I do not think, Senator, you would want me to assume that this was the body to be negotiated with.

Q. I quite agree with you. I think that is a matter of conference. If the government of the day decided to go into unification, it is up to them to carry on whatever negotiations are necessary in order to ascertain what sort of bargain can be made.—A. And whether it would be in the interests of the nation.

By Right Hon. Mr. Meighen:

Q. As to a line of operation which could be pursued in pooling negotiations, in division, I do not know whether you read an outline which I gave the Senate a couple of months ago as to the allocation of earnings?—A. No, sir, I do not think I am familiar with that.

Q. Your taste in literature does not run that way?—A. I will take occasion to store my mind immediately.

Some Hon. SENATORS: Oh, oh.

By Mr. Biggar:

Q. If I followed the discussion this morning, you were speaking subject to the paragraph in the middle of page 5 of your memorandum, the third of our fundamental points?—A. Yes, sir. That is the one that Senator Horsey referred to.

Q. And that is about as far as you feel able to go just now?—A. At the moment.

By Hon. Mr. McRae:

Q. There is one thing that rather troubles me in discussing net earnings. According to the figures we have, on the business to-day there are no net earnings; on the part of the National Railways there is a very serious deficit.—

A. Oh, no. There are net operating earnings.

Q. Now, would not this unified company require a working capital?—
A. Yes, sir.

Q. How much working capital would they have to be supplied with?

A. Not very extensive in a railway; not as extensive as you think. But whatever it was, it should be put up jointly.

Q. It would be substantial, five or ten million dollars?—A. \$20,000,000 probably.

Q. Now, in regard to the earnings, I want to ask this question. In the depression of business, I presume that with the enforced economies which existed equipment has been gradually worn out and that the surplus equipment which existed in 1930 has disappeared; and from observation I would say that both roads have carried economies pretty well to the limit in that regard, and that you are therefore at the point where you have to make substantial replacements?—A. We started that last year.

Q. Take engines, for instance. How many engines have you got on the C.P.R.?—A. I will give you that in a moment—1,962.

Q. How many new ones did you build last year?—A. Fifty, I think.

Q. The life of an engine is about twenty years?—A. Oh, longer than that.

Q. After extensive repairs?—A. An engine goes through for heavy repair very often, and some of these engines, built 20 or 25 years ago, have been practically rebuilt in the interval.

Q. Is it a fair assumption that the depreciation allowance has not been generous in the last few years?—A. I would not say it was generous, but I think it has been fairly ample. We have been picking it up all the time. Here is our statement about locomotives:—

The steam locomotives, 1,955 in number, have an average tractive power of 36,657 pounds; 123 are less than 10 years of age; 199 are 10 to 20 years of age; 1,159 are 21 to 30 years of age; and 474 are over 30 years of age; the average is 25.7 years.

Q. They are getting pretty old.—A. (Reading):—

What might appear at first sight to be a high average age is not peculiar to the Canadian Pacific, and, in spite of contrary views which wide publicity is given, experience shows that this company will have useful employment for many of its older locomotives for many years to come in services for which it is more economical to keep such locomotives in repair than to build new units to replace them.

Limited purchases of new locomotives have been made to ensure an ample modern motive power supply for high speed main line passenger and freight services. It is planned to continue limited purchases and replacement of units retired in order to maintain this adequate motive power supply. Should traffic rise materially above present levels, this program will need to be expanded.

That is my speech to the shareholders.

Q. I should think that that would indicate that there is some substance to the idea that economies have displaced the usual replacements from year to year.—A. (Reading):

At the end of 1937, of the serviceable locomotives, 84.1 per cent were in good repair—more than sufficient for the traffic offering.

[Sir Edward Beatty, G.B.E.]

Q. There is another feature of the railway statements that I imagine has not been taken into consideration. There must be great obsolescence, in view of what has been going on?—A. This year I think we will be writing out of earnings about \$7,000,000 on replacement account. We are gradually bringing that up from the low point of the depression, and I am quite satisfied that we can do that within our present earning basis.

Q. What I am leading up to is this. When this new company is formed is going to be met with the requirement of a large sum for modernizing the plant and for new equipment.

By Hon. Mr. Calder:

Q. Would not both be up against the same thing if operated separately?—A. Our capital requirements would be very much less under a unified system than they would be under separate systems during the next two years.

By Hon. Mr. McRae:

Q. It does seem to me—and I ask you to tell me if I am in error—that the railway companies here, the same as those to the south of us, are faced with a large expenditure for new equipment.—A. That is a progressive thing. No doubt that is our principal item of expenditure. It is the only large item of expenditure for the C.P.R. in the last few years. I think our total appropriations last year were \$21,000,000, of which \$15,000,000 was for equipment. And that may continue. But that is very easily arranged, because it is a very favourable form of security and carries a low rate of interest.

By the Chairman (Right Hon. Mr. Graham):

Q. That is the equipment?—A. The equipment issues.

By Mr. Biggar:

Q. Sir Edward, perhaps you might go on with your exposition with regard to the statement as to possible savings of \$75,300,000.

By Hon. Mr. Dandurand:

Q. There were two large figures more especially stressed by Sir Edward. He said that 5,000 miles of railway could be abandoned, and that it would be a factor in the savings of \$75,000,000. I know it is but a part of the suggested saving of \$75,000,000, but we shall be eager to know, inasmuch as we have had considerable discussion over these abandonments, what those 5,000 miles comprised from the Atlantic to the Pacific, and whether Sir Edward still clings to the idea that 5,000 miles can be abandoned on the two systems.—A. Now, Senator, if you are through with this general matter and do not wish to ask any questions on my preliminary submission,—

By the Chairman (Right Hon. Mr. Graham):

Q. Are you through, gentlemen, asking questions on this general matter?—A. Right, Sir Edward, go on.—A. I had a statement prepared for your information which is being distributed.

By Hon. Mr. Calder:

Q. Sir Edward, while we are waiting for that statement to be distributed, would you tell us in a word how did they take care of the labour situation in the United States?—A. It applied only to co-ordination projects by agreement between the labour unions and the railways. Practically every important railway in the United States signed the agreement.

By Mr. Biggar:

Q. You propose to read this statement which is being distributed, Sir Edward, do you?—A. Yes, sir.

Q. Are there tables and that sort of thing in it which will require to be printed?—A. No, sir. I am just engaged in answering Senator Calder. The agreement was called, Dismissal Compensation Agreement between United States Railroads and Twenty Standard Railway Unions. It was made in Washington in 1936. It has been in extenso the basis on which these men are to be paid.

By Hon. Mr. Calder:

Q. That is in the case of dismissals?—A. Yes. It provided for a scale of compensation to all men who lost their positions by reason of some co-ordinating project of the railways. It was graded on their length of service, and there was a payment of so much in a lump sum or of so much per annum over a period of years. If a man had fifteen years or over in the service he was paid 50 per cent of his salary or wages for five years.

By Hon. Mr. Dandurand:

Q. Sir Edward, if the savings that you speak of on the lines to be abandoned—are they the same as those presented to the Royal Commission which appear in our proceedings of Wednesday last?—A. Yes, sir.

Q. I do not know whether you have looked at that statement, but it covers Exhibit No. 48 of Economies Possible by Co-operation of Canadian National and Canadian Pacific Railway in Establishing Joint Trackage, Stations and Terminals.—A. That is \$6,348,207.

Q. Then Exhibit No. 49, Economies Possible by Unification of Canadian National System and Canadian Pacific System under Private Management, which total \$75,000,000. The lines to be abandoned are given in detail at page 427. I should like to know if the statement you are about to make is on a par with that statement made before the Royal Commission?—A. Yes, sir, in a general sense. The object of this statement which I am going to read to you now is to introduce that subject of savings, and then, with your permission, I shall be followed on the stand by those who made it, because I am very anxious that the committee should know how seriously we approached the problem and how careful our people were who endeavoured to make an estimate which would be a guide to the savings we could secure in a normal year.

Q. You are going to give us a statement of all the lines in that 5,000 miles.—A. That will be covered, yes, sir. This is the statement:—

In order to understand the background of the estimates of unification savings, it is necessary to review a few facts connected therewith. The Royal Commission to Inquire into Railways and Transportation in Canada, under the Chairmanship of Chief Justice Duff, was appointed by Order in Council on November 20, 1931. Anticipating that the Commission, when appointed, would desire to have an estimate of the possible savings through consolidation of the two systems, the late Sir Henry Thornton suggested that the facilities of the Bureau of Economics be used to prepare such an estimate and asked that the Canadian Pacific information necessary for this purpose be made available to them, to which I readily agreed. Accordingly, such information as was requested to assist in this work was furnished to that Bureau some time before the appointment of the Commission. Our officers took no part in the preparation of the Canadian National estimate and the information furnished by them was extensive. This estimate, which showed economies of \$56,440,000 for a normal traffic year, was completed on November 27, 1931, and submitted to the R

[Sir Edward Beatty, G.B.E.]

Commission by the Canadian National during the Train Conference held on December 8, 1931, while the party was en route to Vancouver. This is the estimate filed with your Committee as Exhibit 42.

By Mr. Biggar:

Q. And it is now printed in the proceedings beginning at page 473. It was not printed at the time it was marked as an exhibit, but was subsequently directed to be printed, and is in last Thursday's proceedings.—A. Yes.

By reason of inquiries made of our officers by the Commission on their trip West, the preparation of a memorandum dealing with economies to be obtained from unification of the two railways was also undertaken by the Canadian Pacific. Under date of December 23, 1931, the late Mr. Grant Hall, then Vice-President, issued instructions to convene a committee of our officers to consider the possible economies were the two major Railways of Canada operated as a single entity." I shall later record the personnel of the Committee and the methods followed. The request of the Commission for this information was made by the Secretary under date of January 7, 1932, and the result of the work of the Committee was sent to the Commission on February 10, 1932. The exhibits showing estimated savings of \$75,373,000 have been filed with your Honourable Committee as Senate Exhibit 49. The statement I made to the Royal Commission on February 19, 1932, will be filed with your Committee a little later.

Q. That is the one I have just been handed. It might be noted here that will be Exhibit No. 51.—A. This memorandum continues:

The Canadian National estimate of economies under unification, to which have referred, was \$50,340,000 on the basis of 1931 traffic—approximately the level of traffic in 1937. In the same statement was included an estimate of \$6,440,000 for a normal traffic year—taken as 30 per cent above the traffic level of 1931, or slightly over the level of 1930 traffic which was used as the basis for the Canadian Pacific estimate. These figures were later revised to \$50,090,000 and \$56,230,000 respectively.

An overall difference of \$19,143,000 between the latter and the Canadian Pacific estimate of \$75,373,000 does not destroy the value of the appraisal of either organization of the duplications which could be eliminated and the economies which could be realized through unification in a normal year.

While a precise detailed comparison of the estimates of the two railways is not possible owing to a difference in the method followed in making the calculations, the following tabulation—in which it has been necessary to divide arbitrarily some items of savings in both estimates—will serve to indicate the general similarity of the items included in the two estimates:—

There follows—and it will be explained to you later—on page 4 a statement of these respective estimates and their divisions. It is largely to show you how similar the type of saving was in each case, though the figures, of course, are not the same.

	C.N.R. estimate based on normal year (approximately level of traffic in 1930)	C.P.R. estimate based on year 1930
	\$	\$
Increased Railway Operating Revenues—		
Owing to longer haul over combined systems.	4,000,000	2,135,000
Owing to readjustment of interline divisions.	3,000,000	.....
Miscellaneous—Net	Dr. 460,000	Dr. 739,000
Total	6,540,000	1,396,000
Traffic Solicitation and Advertising—		
Superintendence	1,400,000	1,324,000
Agencies	3,000,000	2,339,000
Advertising	2,000,000	1,542,000
Miscellaneous	550,000	771,000
Total	6,950,000	5,976,000
Transportation and Miscellaneous Operations—		
Station and Yard Services	3,300,000	7,415,000
Train services	12,647,000	13,216,000
Sleeping, Dining and Parlor Car Services	2,400,000	1,546,000
Miscellaneous	1,700,000	2,777,000
Total	20,047,000	24,954,000
Maintenance of Way and Structures—		
Line abandonment	2,756,000	7,005,000
Abandonment of duplicate yard, station and other facilities on lines retained and changed standards of maintenance on alternate lines not abandoned	.....	5,391,000
Miscellaneous	667,000	2,493,000
Total	3,423,000	14,889,000
Maintenance of Equipment.	7,797,000	14,360,000
General	1,573,000	4,289,000
Lake and Coastal Steamers	500,000	450,000
Hotels	4,500,000	.....
Express Operations	600,000	1,450,000
Telegraphs (Railway and Commercial)	700,000	948,000
Interest on Released Investment in Material and Rolling Stock	3,000,000	6,350,000
Miscellaneous	600,000	311,000
Grand total.	56,230,000	75,373,000

On page 5 I go on to say:—

I should like to direct your attention to a striking feature of this comparison namely, the general agreement in both estimates as to the character of economies which would be secured. Moreover, going back of these figures, as pointed out in my main submission, one finds that both the estimates outline in great detail much the same kind of duplicate and superfluous services and facilities which could be eliminated by a unified management.

To return to the compilation of the Canadian Pacific estimate: In pursuance of the Vice-President's instructions, the Committee proceeded to determine the potential savings from unification and, after the necessary preliminary meeting divided the work into sections to be dealt with by sub-committees consisting of officers having a special knowledge of the particular matter in question or the organization to obtain the desired information accurately. In this way, the assistance was secured of as many additional officers as required. As indicative of the comprehensive character of the study, the assignment of the principal phases is of interest:—

Then you will find at the bottom of this page and on the next page a list of the divisions of possible economies, and the officers who were engaged to make the investigation. That takes you down to the middle of page 7.

'Sir Edward Beatty, G.B.E.]

Possible Line Abandonments:

Mr. J. E. Armstrong, Assistant Chief Engineer,
 Mr. A. C. MacKenzie, Engineer of Maintenance of Way, Eastern Lines,
 Mr. T. C. Macnabb, Engineer of Construction, Western Lines.

Reduction in Train and Car Miles in Passenger Service:

Mr. C. B. Foster, Passenger Traffic Manager,
 Mr. A. Hatton, General Superintendent of Transportation.

Reduction in Train and Car Miles in Freight Service:

Mr. A. Hatton, General Superintendent of Transportation,
 Mr. E. G. O'Brien, Transportation Assistant,
 Mr. S. J. W. Liddy, General Statistician.

Points at which Reductions Possible in Station, Yard, Terminal and Maintenance of Equipment Expenses:

Mr. R. McKillop, Special Representative, Vice-President's Office.

Supervisory and Despatching Organizations:

Mr. A. Hatton, General Superintendent of Transportation,
 Mr. A. C. MacKenzie, Engineer of Maintenance of Way, Eastern Lines,
 Mr. T. C. Macnabb, Engineer of Construction, Western Lines.

Gains and Losses in Freight Revenue:

Mr. C. E. Jefferson, Freight Traffic Manager.

Maintenance of Way Savings Formulae:

Mr. A. C. MacKenzie, Engineer of Maintenance of Way, Eastern Lines,
 Mr. T. C. Macnabb, Engineer of Construction, Western Lines.

Maintenance of Equipment Savings Formulae:

Mr. H. H. Boyd, Assistant Chief Mechanical Engineer.

Savings in Traffic Expenses:

Mr. C. B. Foster, Passenger Traffic Manager,
 Mr. C. E. Jefferson, Freight Traffic Manager.

Transportation Savings:

Mr. S. J. W. Liddy, General Statistician,
 Mr. E. G. O'Brien, Transportation Assistant.

Station and Yard Savings:

Secured through General Managers from Superintendents.

General Expenses:

Mr. R. McKillop, Special Representative, Vice-President's Office,
 Mr. E. A. Leslie, Assistant Comptroller.

B.C. Coast Steamers:

Capt. Neurotsos, Manager, B.C. Coast Service.

Express Operations:

Mr. T. E. McDonnell, President and General Manager, Canadian Pacific Express Company.

Communications:

Mr. W. D. Neil, General Manager of Communications.

Colonization, Development and Insurance:

Mr. J. N. K. Macalister, Chief Commissioner of Immigration and Colonization,

Mr. G. G. Ommanney, Director Dept. of Development,

Mr. E. Moore, Insurance Commissioner.

Miscellaneous Items:

Mr. R. McKillop, Special Representative, Vice-President's Office,

Mr. E. A. Leslie, Assistant Comptroller.

The memorandum continues:—

When the preliminary results of the various studies were ready, a draft report was prepared and considered by Mr. Grant Hall, Vice-President, Mr. Coleman, Vice-President, Western Lines, Mr. Curle, General Counsel, and Mr. E. E. Lloyd, Comptroller. The Committee were questioned in detail upon their conclusions, corrected, where necessary, and instructed to continue the studies along the lines which had been followed and to prepare the necessary exhibits for filing with the Commission. Upon the completion of the final draft it was again reviewed in detail by Messrs. Hall, Coleman, Curle and Lloyd. Mr. W. N. Tilley, Consulting Counsel, and I also went over the material carefully with a number of the officers concerned. I should mention that, knowing the importance that might be attached to the findings, I asked the President of the Great Northern Railway, if he could have someone who had had experience in calculating the possible savings from the consolidation of the Great Northern and Northern Pacific come to Montreal and examine the work of our Committee. He kindly allowed Mr. V. P. Turnburke, General Auditor of the Great Northern to do so. The latter, who had had extensive engineering accounting experience, spent some time examining the Committee's work, made some criticisms and certain suggestions, and later reported to me that he was satisfied that the Committee had proceeded upon conservative lines and that from his experience he would not hesitate to accept the conclusions reached. As already mentioned the brief and supporting details were submitted to the Royal Commission to me on February 19.

I made some comments to the Royal Commission which I should like to review with regard to the manner in which the different components of the estimate are made up.

Q. That is in Exhibit No. 51?—A. Yes, sir.

I continue:

I pointed out the fact that maximum economies are possible only through complete unification. There would be none of the conflicting interests which are ever present in endeavouring to secure economies by co-operative effort such as those which have been described to your Committee. In every case where the two companies are performing similar services, if either company is more advantageously placed, that advantage would be secured for the operation of the unified property. Gradually, duplication in facilities would disappear with resultant decrease in maintenance expense. Duplicate expansion, involving unnecessary competitive expenditures, would be avoided in the future. Supervisory and general expenses would be materially lessened. An important feature is that these advantages can be achieved, I believe, without material reduction in service to the public and with a minimum of disturbance to labour.

For the reasons explained to your Honourable Committee in my principal submission, our officers took as the base for their calculation the year 1910. They assumed that unification had been completed; the co-ordinating period which has been set for five years, having elapsed.

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The Royal Commission had requested that our officers indicate the extent of redundant main and branch line mileage in Canada. It was realized that because of the inability to forecast exactly the conditions under which unification would take place assumptions would have to be made. It was considered that the unified management would co-ordinate all lines in the public service; that remaining railways would adequately serve the territories of the lines abandoned; and that the increasing extension and improvement of highways would render some lines unnecessary. The estimated saving from an abandonment of mileage on the scale indicated to the Commission was included.

Each portion of the main line and each branch line considered for abandonment was dealt with separately and on its merits.

The Canadian Pacific had previously considered this problem and in Western Canada an examination by one of its Engineers had been made of the Canadian Pacific, the Canadian Northern and the National Transcontinental and Trunk Pacific from the head of the Lakes to Vancouver Island and to Prince Rupert. With this knowledge, enlarged by actual experience in operating, constructing, and maintaining much of the mileage in the competitive territory, each situation was considered in the light of its own peculiar circumstances.

For Eastern Canada, officers were available and present who supplied the necessary intimate knowledge for that territory. In both territories the resulting abandonments were decided upon as a result of comprehensive information of the circumstances existing.

It may well be that a given line included in the tentative list of abandonments might not be found under unification to be one that should properly be taken up, but it might be that the standard at which it was maintained would be changed so as to produce material savings in maintenance and in operation. Moreover, the list of abandonments was not exhaustive. The line abandonment map is not rigid but is designed to give, and does give a reasonable measure of the savings possible in this field under a rational system of unification.

The passenger train services of the two companies were carefully reviewed. The sub-committee studying this phase set up schedules for the unified system and determined the trains and cars which could be withdrawn. This was worked out even to classes of cars. Reductions could be brought about by the consolidation of light traffic trains now operated between the larger centres of population, by consolidation of transcontinental services, and by re-routing trains over shorter or more economical routes. In this way it was estimated there would be a saving of 7,500,000 train miles, or 16·2 per cent of the total for the two systems operated separately, and 51,700,000 car miles, or 14·9 per cent. Those figures will be slightly changed in subsequent exhibits.

In calculating possible reductions in freight train and car miles, the sub-committee gave regard to:—

- (1) re-routing of freight traffic using the most economical routes;
- (2) consolidation of merchandise trains;
- (3) elimination of train services on abandoned lines;
- (4) heavier loading of less than carload traffic;
- (5) re-routing of empty cars.

The economies in those fields under unification can readily be appreciated. Wherever there are alternative routes, the most favourable would be used. Merchandise traffic between large centres is handled on scheduled trains which must run on schedule irrespective of traffic offering. Unification would permit consolidation of these services. There would be a reduction in the number of cars required to handle less than carload freight between these large centres, a saving in switching expense and, in many cases, in train mileage because of the

consolidation of this traffic in fewer cars and fuller use of potential engine capacity. All told the saving was estimated at 5,300,000 train miles, or 9 per cent, and 67,000,000 freight car miles, or 3·3 per cent.

In addition, there would be further reductions in train and car mileage which were not computed. In many of the alternative routes examined, the cost appeared approximately equal and no saving was included. As one of the routes must, in practically every case, be more favourable than the other or others, further examination of such routes would undoubtedly reveal opportunities for savings which would be effected. Unification would permit a redistribution of locomotives to advantage, ensuring larger average daily mileage for the most efficient units. Such further savings were not calculated or included in the estimate.

The experience of operating and engineering officers throughout the system was utilized by the committee in surveying the points at which unification would permit of material reduction in station, yard, and terminal expenses. This was a task of some magnitude, as the determination of what could be done under unification at each terminal obviously required a knowledge of the physical conditions and traffic of both properties at each point in relation to the surrounding territory. The concentration of similar work in certain yards, the movement of traffic through terminals by the most direct channel, the elimination of interchange requirements, and the reduction in switching because of fewer trains and cars to be handled would mean a reduction in yard switching expense. Consolidation of freight and passenger services in the sheds and stations of one company would be a convenience to the public and would result in substantial benefit to railway users. The situation at these terminals was examined, and a conservative estimate of the savings which would accrue was determined.

Unification would result in avoiding the replacement and modernization of many facilities which, if the railways continue to be operated separately, would involve heavy expenditures for both roads, and indeed would permit the abandonment of some existing facilities with a resultant saving in maintenance expenses.

The experience of both operating and mechanical officers was utilized in determining the material reduction in maintenance of equipment expenses from consolidation of the main locomotive and car repair shops of the two companies. Unification would result in the use of the most efficient shops to handle the work of the combined systems. Similar work would be concentrated in one or more shops; thus by specialization and mass production the unit cost of repairs would be reduced. The most efficient machinery of the two companies would be available for the combined repairs.

The set up for the supervisory and despatching organizations of the unified system was developed with due regard to geography, traffic density, mileage and location of present division headquarters, by a sub-committee of operating and engineering officers and later reviewed by the General Managers of Eastern and Western Lines. It was found that the expenditure for supervision could be materially decreased.

There are duplicating supervisory offices in many centres. Under unification they would be able to handle greater mileage with equal efficiency. The number of offices would be decreased with a saving in clerical and other office expense.

The effect of unification on freight revenues was calculated by the Freight Traffic Manager. There would be a gain to the unified company in gross freight revenues by securing a longer haul over the combined system on interstate and Great Lakes traffic. Both companies give traffic to other railways, which, under unification, could be routed for a longer distance over the unified system so as to increase the earnings of that system without affecting the amount paid by the public. Naturally the extent of these changes would be governed to some degree by relations with other carriers concerned on account

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f traffic they in turn control and might divert. In time, however, there would undoubtedly be an increase in revenues in this way. On the other hand, there would be a loss in gross revenues through adjustment of rates brought about by use of shorter mileage and changes in terminal arrangements, and through traffic lost to other transportation agencies on account of abandonment of truck. Incidentally the loss to the railways in adjustment of rates would be a direct gain to the public in a reduction of their transportation charges. This is one of the ways in which the benefits of unification would directly accrue to users of the railway.

The net saving in maintenance of way and structures was computed as \$4,888,000. This includes the saving of \$7,004,960 from the abandonment of 1,013 miles, to which reference has been made. It also includes a reduction in supervisory costs, the saving from the abandonment of duplicate yard, station and other facilities on lines retained, and from changed standards of maintenance on alternate lines not abandoned.

The net saving in maintenance of equipment amounted to \$14,360,000. This includes the saving in maintenance owing to reduction in locomotive and car mileages. In the case of locomotive and freight car repairs, our mechanical officers considered that we should be able to reduce the unit costs to a point 10 per cent below the Canadian Pacific cost in 1930 owing to the higher percentage of modern equipment which would be in service, and through concentration of repair work on a mass production basis at the most efficient shops. There would be substantial savings in supervisory forces. No saving was calculated for the ultimate reduction in retirement and depreciation charges resulting from the fewer rolling stock units required by the unified system.

The reduction in traffic expenses was computed as \$5,775,000. Elimination of competition would enable the railways to make a complete consolidation of the activities of the traffic departments throughout the world. In Canada, to a large extent, and elsewhere, to a more limited extent, the activities of the traffic departments of the two railways are directed one against the other. With unnecessary expense eliminated, a combined traffic department could still adequately serve the public, and, at the same time, expend its efforts in meeting the competition of other transportation agencies. There would also be a saving in advertising and miscellaneous expenditures.

The largest item in the saving was that of rail transportation, amounting to \$23,994,000. Supervisory forces and train despatching expenses would be reduced. Unification would enable large savings to be made in the expenditures chargeable to station and yard accounts, which include the handling of less-than-carload freight in freight sheds and of switching of cars at terminals. The full possibilities of the savings which could be thus achieved are hard to estimate. The railways operated separately are continually finding means of reducing their own expenditures. It would take some years to find and put into effect the extra economies which will be possible for the unified properties. The largest item in transportation is a saving in train service expenses, resulting from the decreased passenger and freight train mileage. The costs used are those of the combined system so as to give effect to the different operating conditions on the two roads. The saving in fuel costs was based upon the reduction in train and car mileage. An allowance was made for the benefit to be derived from the use of the most efficient locomotives, the purchase of coal in larger quantities from the most favourable sources and improved operating practices which would be made possible by unification. Reductions in sleeping car expense due to a reduction in sleeping car mileage, in signal and interlocker expense and in miscellaneous items were included.

The net saving in general expenses amounted to \$4,289,000. The cost of administration and accounting for the unified properties was determined by

applying Canadian Pacific costs per mile to the mileage of the unified system due allowance being made for the additional economies which would be derived from having one management only.

A reduction of \$918,249 for dining and buffet service was brought about by an estimated decrease in dining car mileage required for the reduced passenger train service.

The total of all such items was a reduction in operating expenses \$64,268,000. There were further items of savings which do not come under the precise classification of railway operating expenses. These totalled \$9,709,000. The major items consisted of savings in interest charges on released stores and track material, consolidation of express, telegraph and other ancillary services. There was also the estimated net gain of \$1,396,000 in freight revenues by securing a longer haul over the combined system on international interstate and Great Lakes traffic, to which reference has already been made.

It is now six years since this estimate was prepared and submitted to the Royal Commission. Anticipating that it would be desirable to file with your Committee copies of my statement and of the study which were submitted to the Royal Commission in 1932, they have again been scrutinized carefully by our officers. They inform me that they have found two clerical errors in the text which do not, however, affect the estimate itself. These corrections will be explained to your Committee in due course.

While every effort was made to present all material as clearly as possible in a matter necessarily so technical, certain misunderstandings on the part of the public are bound to creep in. But two need be mentioned.

The first arises from a statement furnished confidentially to the Royal Commission in February, 1932, at the request of one of its members. In submitting this information an attempt was made to break down the proportion of total operating savings from unification which were estimated as related to line abandonment. The statement submitted was as follows:—

"Estimate of Proportion of total savings of \$64,267,683 in Railway Operating Expenses, shown in Exhibit "H", which is due to line abandonment

Maintenance of Way and Structures	\$ 7,004,960
Maintenance of Equipment	2,301,805
Traffic	
Transportation—Rail	6,287,540
Transportation—Water	
General	687,240
All other	85,305
Total	<u>\$16,366,850</u>

Due to the manner in which the figures were assembled for the exhibit, the distribution has had to be made upon somewhat arbitrary lines."

This saving of \$16,366,850 has apparently been erroneously regarded by some as a saving which is dependent solely upon the actual retirement of the 5,013 miles of track estimated as unnecessary in the unified operation of the two railways. Actually the figure included the net saving in maintenance, equipment and transportation expenses due to rerouting traffic and cancellation of trains on these lines, although much of this saving would be accomplished following unification whether the lines are abandoned or not. Much of the maintenance of way savings would be accomplished even should no mileage at all be abandoned. This would be made possible by the transfer of through traffic from the lines suggested for abandonment to those determined to be the more efficient. The remaining service necessary on these lines would be of a character which would permit of maintaining them at a greatly reduced standard. In view of the questions which have arisen, an estimate has been made of the cost of maintaining and operating these lines with a reduced train schedule.

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The provision of such service and the cost of maintaining the lines of railway at the lower standard is estimated by our officers at \$7,248,798. If no track abandonments were made, the debit against the estimated savings for loss in revenue and, in some cases, for hauling traffic by more circuitous routes would be eliminated. On the other hand there were minor savings incidental to these abandonments, such as interest on track material and rolling stock to be released which would not be realized. It is considered these items are in approximate balance so that the estimate of \$75,373,000 should be reduced by approximately 7,248,000 if it be assumed that no line abandonments would be proceeded with. Details of this estimate will be furnished to your Committee. However, it is not conceivable that means will not be found to abandon a large mileage of parallel and duplicate lines, thus ensuring substantially the potential economies which have been estimated.

The second misunderstanding arises from a mistaken reading of the estimate. The savings in maintenance of way and structures, amounting to \$14,888,622, have been entirely attributed to savings from line abandonment. This is not correct. The actual maintenance of way savings from the estimated abandonment of 5,013 miles was \$7,005,000 only. As was mentioned in my main submission, the average saving of \$1,400 per mile is reasonable, and, as I have indicated, much of the total saving could be secured whether total abandonment were effected or not. The remainder represents savings from abandonment of duplicate yard, station and other facilities on lines retained, from changed standards of maintenance on alternate lines not abandoned and in reductions in supervisory costs.

Some have incorrectly assumed that much of the \$75,373,000 of savings estimated as possible from unification can no longer be realized because of economy measures taken individually by the two roads to meet the falling off in traffic due to the depression and to drought conditions in Western Canada. I have discussed this matter from time to time with our officers, and from the information I have secured, I have never felt it necessary to authorize the expenditure of the time and the effort of responsible officers required to make a new estimate. No one can say what will be the average traffic volume of this country in the near future, but I am confident it will at least approximate that of 1930. As a matter of fact, the railway earnings for that year were about midway between the immediately preceding prosperous years and the subsequent extreme depression years. At present, I can not suggest any more reasonable or proper year to use as a basic or average year.

However, to give your Honourable Committee an idea of the possible variation of such estimates with volume of traffic I would refer you to the estimate of \$50,090,000 of the Canadian National for the volume of traffic in 1931—roughly that of 1937—and \$56,230,000 for a year with traffic at approximately the level of 1930, which both companies took as the normal level. A difference of this magnitude is not material to the problem involved. Obviously a new estimate for any particular level of traffic is unimportant; what is needed is a reasonably accurate appraisal of the savings at the average level which may fairly be anticipated, and this, I believe, has been determined.

In judging the present value of the estimates made six years ago, the only pertinent factors to consider are their accuracy at the time they were made and any permanent change in conditions which has taken place since then.

Since these matters are of technical nature, I have arranged for the presence to-day of our officers whose duty it is to deal specifically with such matters and who are familiar with the estimates submitted. They will give evidence with respect to them.

At this time, however, I would point out that co-operative economies of approximately \$1,700,000 have been or are in prospect of being made. A saving

of approximately \$13,500 per annum has also been made through certain joint advertising arrangements. To the extent such economies were included in the estimate of \$75,000,000 the figure should be reduced.

Then again, each railway in meeting the exigencies arising out of the depression, and in seeking for economies, has made savings of a character which is irrespective of improvement in future traffic conditions, would, I think, be permanent. To the extent that such permanent economies represent savings which were contemplated under unified management, the estimate based on 1930 operations will be affected. In the case of permanent economies representing savings which were not contemplated through unification, the estimate remains unaffected, as is the case with savings due to temporary conditions. While it is possible to speak only in general terms as to what has been accomplished in this regard, it may be said that both companies have effected permanent reductions in passenger train services and have made permanent reorganizations, particularly in central offices and in traffic staffs. Important and far-reaching as this may be, the proportion directly and indirectly affecting the unification estimate, though perhaps substantial in itself, is not materially measured by the total of the unification savings.

On the other hand, since 1930 certain new duplications have come into being—for instance, the railway cartage services in connection with the pick-up and delivery arrangements which have been put into effect in certain territories; passenger service expenses have been increased by the cost of maintaining and operating air-conditioned cars; and services generally have been improved to meet the more exacting demands of the travelling and shipping public. It is my view that the trend of improving service will continue for some years to come. These circumstances provide additional scope for savings under unification.

These changes are quite different from those resulting from alterations in volume of traffic which naturally affect the total savings from unification in any given year. The Canadian Pacific estimate of \$75,373,000 was based on the traffic level of 1930 which was twenty-eight per cent over the level of 1937. In years in which the volume of traffic is less than in 1930, the savings will be less and vice versa. It is evident that the fewer the cars and trains moving over the better grades and shorter routes which unification would provide, the less the total economies from this source. The smaller the number of locomotives and cars which are going through the shops, the smaller will be the economies possible in maintenance of equipment accounts. Maintenance expenditures in the railway business are normally higher in good years than in poor years. Most types of expenditures are related very closely to revenue, and where revenues are up so are expenditures. I have pointed out that competing forms of transport have had and will probably continue to have adverse effects on the traffic volume of the railways. I am convinced, however, that, if Canada continues to prosper, the traffic level and also expenditures of 1930 may be regarded as a reasonable average.

Certain items were not included in the estimate.

There would be a saving in future pension expense as the unified system in the end would have fewer pensioners.

The capital expenditures of the unified properties for improvement and extension of plant would be considerably less than if the competitive operation of two separate railway systems is continued. In providing for the normal growth of traffic and changes in its character the extension of one plant would obviously cost much less than the extension of two. To put the case concretely: As the unifying of the railways in this way would reduce the volume of capital expenditures made during the next decade as compared with

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consequences of continued competitive operations, there would be an annual saving at the end of that period equal to the ruling rate of interest applied on the aggregate of all the savings in capital expenditure.

There will be a substantial saving in the replacement of rolling stock as fewer units will be required by the unified system than by the railways operated separately.

Should prices of material and labour rates increase in the future, practically every item in the estimate would be correspondingly increased.

In addition, it may be taken as certain that other items of savings will be found which have not been included in our estimate. The instructions to our officers were not to attempt to determine the maximum amount which could be saved by unification, but that each department should try to identify and weigh the savings in connection with their own work which were reasonably obvious.

The aggregate of the items of savings omitted forms a back log of possible economies sufficiently substantial to dissipate any concern in regard to the attainment of total savings of \$75,000,000—even should large items in the estimate prove unattainable at the moment, or should any such items have diminished or have been appreciably decreased as a result of changed conditions since the estimate was made.

In short, I am convinced that the estimate of our officers was correctly made, and that it still represents a reasonable view of the scale on which economies can be effected under unification when normal conditions prevail.

Now, having listened so patiently, I would ask you to turn back and look at page 4, the comparative statements of economies, as estimated by the officers of the Canadian National and our own officers. You will see some other striking similarities in amounts. Take the first item, "Increased Railway Operating Revenues":

	C.N.R.	C.P.R.
Owing to longer haul over combined systems	\$4,000,000	\$2,135,000

By Right Hon. Mr. Meighen:

Q. I do not understand that first item: "Increased Railway Operating Revenues, owing to longer haul."—A. Yes. That is by the re-routing. We could get more haul by having control of both lines.

Q. That is as against United States railways?—A. Yes.

	C.N.R.	C.P.R.
Owing to readjustment of interline divisions	\$3,000,000	.....
Miscellaneous—Net	Dr. 460,000	Dr. \$739,000

In "Miscellaneous" there is a debit in both cases. We think there would be a loss of \$739,000, and the C.N.R., \$460,000. The total of these estimates is:—

	C.N.R.	C.P.R.
Total	\$6,540,000	\$1,396,000

We are fairly close on "Traffic Solicitation and Advertising":—

	C.N.R.	C.P.R.
Superintendence	\$1,400,000	\$1,324,000
Agencies	3,000,000	2,339,000
Advertising	2,000,000	1,542,000
Miscellaneous	550,000	771,000
Total	\$6,950,000	\$5,976,000

Then, "Transportation," which is the biggest item in both:—

	C.N.R.	C.P.R.
Station and Yard Services	\$ 3,300,000	\$ 7,415,000
Train Services	12,647,000	13,216,000
Sleeping, Dining and Parlor Car Services	2,400,000	1,546,000
Miscellaneous	1,700,000	2,777,000
Total	\$20,047,000	\$24,954,000

There is a big difference in maintenance of way and structures. In line abandonment, by reason, of course, of their lesser number of miles planned to be abandoned, their saving is \$2,756,000, as against our \$7,005,000. Abandonment of duplicate yard, station and other facilities on lines retained and change of standards on maintenance on alternate lines not abandoned; they do not include anything; we estimate \$5,391,000. Miscellaneous: their estimate is \$667,000, while ours is \$2,493,000. Their total is \$3,423,000 against \$14,889,000.

By Hon. Mr. Calder:

Q. How do you account for their not putting in any estimate as compared with your \$5,391,000?—A. Their statement will show it, I think, Senator. They were not able to do it to their satisfaction, and they omitted it.

By Hon. Mr. McRae:

Q. That is certainly an apparent saving there all right.—A. I would think so. But that will all be explained when you get these exhibits.

Maintenance and equipment: their estimate is \$7,797,000 against \$14,360,000.

In general expenses their estimate is \$1,573,000, while ours is \$4,289,000.

Lake and coastal steamers: their estimate is half a million dollars; ours is \$450,000.

Hotels: their estimate is \$4,500,000; nothing in ours. That, of course, is due to entirely different methods of approach. They proposed to sell hotel properties of both companies to a company from which we could lease something and they would operate them. We assumed the hotels would be operated with the railroad and just be considered as part of our facilities.

Express operations: theirs is \$600,000, as against our \$1,450,000.

Telegraphs (railway and commercial): their estimate is \$700,000, while ours is \$948,000.

Interest on released investment in material and rolling stock: their estimate is \$3,000,000; ours \$6,350,000.

Under miscellaneous their estimate is \$600,000 while ours is \$311,000.

The grand totals respectively are \$56,230,000 and \$75,373,000.

The only importance of that compilation to members of the committee as I see it, is, first of all, there are of course in certain cases substantial differences in the estimates of the two companies, but in most cases they do attempt to appraise the savings in these different services and departments. They seem to realize, with very few exceptions, the hotel case in ours and abandonment of duplicate yards in theirs, that that is the general classification of economy which a unified management would bring about. I think, in suits the members of the committee, it might be well while this is before us to have the benefit of this other evidence from these officers who did the work, prepared these exhibits, for the Royal Commission, and know exactly why they included everything. I think having got a general outline from you you will be able to follow them now without very much difficulty.

By Right Hon. Mr. Meighen:

Q. In the main, you adhere to your estimates of 1932?—A. Yes, sir—under those conditions.

Q. Six years of reflection have brought them to the point where they have taken flight?—A. Of course, I do not understand estimates that are not estimates. I think our people—and that is the only reason why I am bothering the committee with that statement from me—obviously I am the man to prove the estimates because I did not make them. I would

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be competent to make them in the first instance. But I do want to assure the committee that this was not done lightly. These men took their work very, very seriously and gave the Royal Commission the benefit of the best estimating they could do with a lifetime of railway experience and practice in these various matters behind them. In making that statement I am really trying to show the the bona fides of this work. To say it is absolutely accurate is of course to say something that could not be proved by anybody. You cannot estimate in figures like this over territory as large as this and say it could not be changed from year to year. It is humanly impossible to do it that way. But there is a point you could reach which shows substantial accuracy, and that, I think, is all this committee is worrying about. I do not think you are particularly concerned about exact details. However, the officers who did it can tell you so much more quickly than I can what they did in reaching these figures that I should like very much if it suits your convenience, to begin to-morrow with the man who did the line abandonments.

By Hon. Mr. McRae:

Q. Sir Edward, this is based on 1930. Would you hazard an approximate estimate of how much the \$75,000,000 would be affected by the decrease in business, say, based on 1937?—A. It would be an awful guess.

Q. I realize that. But it would not be so great, of course?—A. No, it would not be so great.

By Right Hon. Mr. Meighen:

Q. I notice business is off 28 per cent— —A. Yes. Twenty-eight per cent off \$75,000,000 would be a little over—

By Hon. Mr. McRae:

Q. The decrease in business would probably be more than 28 per cent.—A. No; less it should be. It might be in the neighbourhood of \$60,000,000.

By Hon. Mr. Cote:

Q. I do not know whether Sir Edward wishes to answer a question that intended to ask of someone. The other day we had from Mr. Fairweather a picture of what competition should not be between the two railways, and he mentioned the branch line which is built by the C.N.R. between Rouyn and Senneterre, and the efforts of the Canadian Pacific Railway to build one from Rouyn to Senneterre at the same time. He gave a lengthy explanation of the project from the C.N.R. side, and I listened to it with a great amount of interest. I do not know whether Sir Edward wants to give the C.P.R. side, or have somebody else do so.—A. I have no objection, sir; in fact I am rather glad you mention it, because I think there is considerable misapprehension about the position of the Canadian Pacific in that project, and also, I think, there was perhaps a little unnecessary hysteria injected into the story that you got.

We are not strangers to that problem, and of course neither are we strangers to duplication. I admit we are supposed to be reformed since the act of 1933. But it struck me as rather peculiar that that assertion should be made, because I do not suppose there is any company in Canada that has suffered more from duplication than we have.

By Hon. Mr. Dandurand:

Q. Except when you invaded Grand Trunk territory.—A. I have a long story to tell you in connection with that too, if you have the patience to listen to it. But I should like to give you a few dates in connection with Senneterre.

In 1901, the Canadian Pacific had in operation a branch line from Mattawa station on the main line 45 miles east of North Bay) to Kipawa, distant from Mattawa 45 miles.

In that year, the Interprovincial and James Bay Railway obtained from the Dominion Parliament a charter to build from Lumsden's Mills (about Mile 38 on the Kipawa branch of the Canadian Pacific) to Lac des Quinze, a distance of 70 miles.

The charter was renewed in 1903.

It was again renewed in 1905, and in that year the Canadian Pacific acquired ownership of the Company.

In 1912 the charter was once more renewed and a Dominion subsidy of \$6,400 was voted. The Government of Quebec also granted a subsidy of 4,000 acres of land per mile. Construction on the first ten miles of track was undertaken in that year and was completed in 1914.

The charter was renewed in 1917.

In 1920 the Quebec Government to encourage building of the railway granted a cash subsidy of \$1,600 per mile, plus an additional \$6,400 per mile if the Dominion Government did not renew the subsidy vote of 1912.

In 1921 construction was started from Mile 10 and the railway was completed to Angliers (Mile 70) with a spur to Ville Marie (7 miles) in 1923.

In 1922 the charter had been again renewed.

In 1924 the Dominion Parliament extended the charter rights to cover a line from Angliers, or Ville Marie, to the headwaters of the Nottaway River (north of the National Transcontinental Railway).

These rights were renewed in 1926, in 1928, and in 1930.

By the terms of the last renewal, construction was to be undertaken within two years, and as the work had not been proceeded with in 1932, the charter rights lapsed.

It is of significance that although the Canadian National line had been built into Rouyn in 1926 that company took no exception, before the Railway Committee of the House of Commons, to the renewals of 1928 and 1930.

After the completion of the Canadian Pacific to Angliers in 1923, developments in the Rouyn mining field began to give promise, but no definite assurance of a large ore tonnage, and the provision of transportation facilities became a burning question.

The Canadian Pacific was urged by those in control of Noranda Mines and by others, to build north from Angliers, and this proposal was given serious consideration. Early in 1924 it was announced that the Ontario Government, through the Temiskaming and Northern Ontario Railway, had acquired the charter of the Nipissing Central Railway, and had in contemplation the building of a line into the Rouyn field. Almost simultaneously it was rumoured that the Canadian National Railways was considering the construction of a branch line into Rouyn. The Canadian Pacific took the attitude that this territory being in the province of Quebec should, in all fairness, be brought within reasonable contact of Montreal and other Quebec distributing centres. It argued that the proposed Canadian National route involving a branch line south from the National Transcontinental was an unnatural and uneconomical one, and that the natural and economic one, taking into account the railway already built, was via Mattawa and the Canadian Pacific main line. It therefore approached the Quebec Government and suggested that because of the high cost of railway building in that territory, and the element of doubt as to the permanency of the mining field, the Canadian Pacific, if it undertook to build, should be given the same subsidy per mile as was granted to the Interprovincial and James Bay Railway and, in addition, a special contribution towards the cost of the expensive bridge required over the des Quinze River, north of Angliers. The Quebec Government replied that it did not consider that a subsidy of such proportion would be justified.

The Quebec Government had then before it, or a short time afterwards had presented to it, a proposal from an officer of the Canadian National

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Railways that he should organize in New York a private company which would undertake to build a branch railway from the Transcontinental line to Rouyn on the understanding that there should be a guarantee of operating costs by the Provincial Government and by the Noranda Mines, and that the Dominion Government should guarantee the principal and interests of a bond issue required to finance construction costs. Such a company known as the Rouyn Mines Railway Company was organized. The Government of Quebec guaranteed to pay operating deficits to the amount of \$50,000 per year for a period of five years; the Noranda Mines Company undertook to pay certain sums towards operating deficits over and above the amount guaranteed by Quebec province, and by order in council dated September 26, 1925, the Dominion Government took a lease of the railway, guaranteeing the payment of an annual rental sufficient to pay the interest on the bonds and to provide a sinking fund for their retirement.

At that time, be it noted carefully, the field could be regarded as just as much tributary to the Canadian Pacific as to the Canadian National. The Canadian National at Taschereau was 45 miles from Rouyn, and the Canadian Pacific at Angliers was 57 miles distant, or a difference of not more than 12 miles. The cost of building the Rouyn branch lines, as shown in the government returns, indicates that the country through which it was built was, if anything, more difficult than that between Angliers and Rouyn.

The Canadian National branch line Taschereau to Rouyn was completed in 1926.

In the meantime the Ontario Government Railway, through the Nipissing Central, had filed its plans for construction into Rouyn, but was temporarily brought to a stop by the contention of the Quebec Government that it could not build across unalienated crown lands in that province without the consent and approval of the Provincial Government. The dispute was taken to the Supreme Court of Canada, and thence to the Judicial Committee of the Privy Council. The decision was in favour of the Nipissing Central.

The Nipissing Central Railway was completed into Rouyn in 1927.

Between the years 1927 and 1936 much work was done in the mining field east of Rouyn and a number of mines reached the stage of production. The Consolidated Mining and Smelting Company, the ownership of which is controlled by the Canadian Pacific, spent considerable sums of money on investigation and exploration, and finally took a lease option on a large property in the Chibougamau field, north of the National Transcontinental.

The Quebec Government, in pursuance of its "back to the land" policy encouraged settlement in the Temiskaming district between Angliers and Rouyn.

The Canadian Pacific was under continuous pressure to provide railway facilities and in particular was urged to provide a shorter route from Rouyn to Montreal.

Now I come down to the period from 1936 to 1938.

At the 1936 session of the Quebec Legislature application for a charter as made by a company proposing to build a railway line from Mont Laurier to Maniwaki, or from both, to Amos on the National Transcontinental. That, I might say, is a separate charter owned by private individuals, and neither the Canadian Pacific nor the Canadian National is, so far as I know, interested in it.

In the opinion of officers of the Canadian Pacific and of others it appeared that such a line traversing a large area of unproductive territory before reaching timber and mineral resources would not be able to develop sufficient traffic to cover its carrying charges, and it would offer no facilities to the farming settlements fostered by the Government. The Canadian Pacific, therefore, approached the province and inquired if it would throw its influence behind a

plan to serve the agricultural districts north of Rouyn, and also the mining properties between Rouyn, Senneterre, and Chibougamau. Satisfactory assurances were received, and the Canadian Pacific through a subsidiary company asked for permission to build from Angliers to Rouyn, thence to Senneterre, and thence to Chibougamau.

Opposition developed from several quarters from the Canadian National Railways on grounds which have been set forth to the Committee by one of its officers—by the Ontario Government which evidently believed that the Nipissing Central was drawing more traffic from the Quebec area than the Canadian National officer in his statement to this Committee was prepared to admit, and by persons representing the Lake St. John district who argued that the Chibougamau field should be served by a railway line from that direction.

The Private Bills Committee heard the arguments of all parties desiring to appear before it, including representatives of the Canadian National, and recommended that authority be granted to build from Rouyn to Senneterre, but not from Senneterre to Chibougamau. The Bill as amended was approved by the Legislature, but did not reach the Legislative Council before dissolution of the Legislature.

In 1937 application was again made to build from Rouyn to Senneterre, and was formally approved.

In 1936, as related to the Committee by an officer of the Canadian National, the officers of that company approached the federal Government and secured approval, and the allotment of the necessary funds for the building of a railway from Senneterre to Rouyn. That line is now under construction.

While the Canadian Pacific application was being considered by the committee of the Quebec Legislature the following telegram from the Federal Minister of Railways to the Prime Minister of Quebec was read to the committee by the Chairman, Hon. Mr. Francoeur:—

For your information Canadian National Railways are gravely concerned about threatened loss of business that would result from construction of proposed Canadian Pacific branch line through territory which they now serve.

Canadian National Railways have made application to Federal Government for a charter and appropriation to construct its own branch line from Noranda-Rouyn to Senneterre. This Government has considered C.N.R. application favourably and will probably bring Bill before Parliament at this session. Suggest your Government may wish to defer consideration of Canadian Pacific application pending an attempt to bring the two railways into agreement as to methods to serve this area.

The suggestion in the last clause will be noted. The Canadian Pacific was prepared then, and has been ready ever since, to discuss any plan for serving the territory which would be fair to the public and to both railway companies. Even while the Bill was before the committee in Quebec, I intimated to the President of the Canadian National that we would be prepared to reach an understanding providing for joint construction between Rouyn and Senneterre and also to serve the Chibougamau district.

I can say, therefore, with all emphasis that the Canadian Pacific Railway Company has not suggested that two lines of railway are necessary now, or should be constructed between Rouyn and Senneterre. It has urged that one line be built at the joint expense of the two railway companies and that it should be operated on a joint and equal basis. It is the hope and the belief of every forward-looking Canadian that the northern part of Canada will see future development on an imposing scale. If the two railway systems are to be independently financed and operated, there should be no unnecessary competi-

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on in providing transportation facilities. An arrangement can be made in connection with almost all the areas similar to that in effect in northern Alberta and in the district south of Drumheller, whereby the two companies unite in the opening up of a district and participate equally in the resultant traffic.

The Canadian Pacific does not subscribe to the doctrine that a certain geographical area should be set apart as the exclusive preserve of one company. If you review our railway history you will find that such a doctrine has not been applied in any case for the protection of the Canadian Pacific shareholders. That company nursed along many sections of Canada, particularly in the West, and when they reached the productive stage, has seen other companies come in with government assistance to participate in the traffic. If a close parallel to the northern Quebec situation is desired, that of the Sudbury mining district will come readily to mind.

As far as the district between Rouyn and Senneterre is concerned, the Canadian National took no steps to provide it with railway facilities which everybody now admits were necessary, until the Canadian Pacific sought authority to build a railway.

For the program which it presented the Canadian Pacific secured the approval of two successive Prime Ministers of Quebec. Surely those gentlemen can be regarded as having a proper comprehension of the necessities of that portion of their province and as capable of forming an intelligent judgment as to the best course to be followed in meeting those necessities.

I might say, gentlemen, that while this thing is not on my conscience to any great extent, I feel quite clear that if we got the power to build, and built, that I might be in a better trading position with the Canadian National to form a partnership on the Senneterre end of the line. I made it very clear to Mr. Fingerford that no matter what happened I would not build a duplicating line between Rouyn and Senneterre, no matter whether I had the power or not. But I would feel that I was in a much better position to talk to him about joint operations if I got the right to go as far as Rouyn, from where the line starts. You need not worry your heads about duplication, because there will not be any, unless the Canadian National consents, and I do not think the economic issue in these circumstances will be serious.

By the Chairman (Right Hon. Mr. Graham):

Q. You do not think there will be co-operation?—A. There has not been yet.

The CHAIRMAN (Right Hon. Mr. Graham): What are our plans as to continuing?

Hon. Mr. DANDURAND: If Sir Edward Beatty is not too tired, I would ask him to return at 8 o'clock this evening.

The WITNESS: I am quite all right, sir.

Hon. Mr. BLACK: I understand that several members of the Committee will not be here to-night.

Hon. Mr. HORSEY: I move that we adjourn till to-morrow at 10.30.

Right Hon. Mr. MEIGHEN: I cannot be here to-morrow, and I want to do what I can to-day.

Hon. Mr. HAIG: Mr. Chairman, I move that we come back to-night at 8.30.

Hon. Mr. CALDER: Make it 8.15.

Hon. Mr. HAIG: I accept Senator Calder's amendment.

The Committee adjourned at 6.20 p.m. to resume at 8.15 p.m.

The committee resumed at 8.15 p.m.

Sir EDWARD BEATTY was recalled, and took the stand.

The CHAIRMAN (Hon. Mr. Beaubien): All right. We have a quorum. Let us proceed.

By Mr. Biggar:

Q. Sir Edward, I have really finished what I want to ask, but I understand that there is some additional subject you would like to deal with. You spoke about the possibility of dealing with the Western pooling situation, London and West?—A. Yes, I did want to deal with that, because there was a suggestion made that the Canadian National in some way or other had been put in a disadvantageous position as a result of the present pool from Quebec to Montreal, Montreal to Toronto, and Ottawa to Toronto. I think that is a misapprehension. You will recall that we have a joint station at Quebec, in which the Canadian National has been a tenant for a great many years. In that station they have their own ticket office and ticket agents, and they sell from the station on the same basis as the Canadian Pacific. When the Quebec pool was adopted it was found that the Canadian Pacific had enjoyed for a great many years between 80 and 85 per cent of the business between Quebec and Montreal, and the National the difference. They claimed there was a disadvantage to them in that the pool trains ran into the Windsor station, and that that gave us an advantage in the business beyond.

Q. Yes?—A. You can imagine how great that advantage would be when you consider the great majority of the business which we handled for a great many years, 80 to 85 per cent. The only disadvantage would be in the 15 to 20 per cent that they formerly handled, and the effect of going into the Windsor station on any tickets sold beyond.

As against that we gave up the morning service to Toronto, and that is run exclusively from the Bonaventure station to Toronto, where there is a union station. That is a very heavy train. It does a local daytime business which, of course, is a valuable business, and all the tickets sold at all the stations at which that train stops are sold by Canadian National agents. Our traffic officers feel that that gives them a distinct advantage in business beyond—west or north or south of Toronto, and I think they have some reason for so thinking. They have always claimed to me that the C.P.R. got the worst of that pooling arrangement by reason of the loss of beyond business from these intermediate points between Montreal and Toronto. Obviously the Canadian National agents, as is their duty, will sell all the tickets they can for their own road for the longer distance. I was going to suggest to you that if the National feel that they got the worst of the situation at Quebec, and our people feel that they got the worst of it in the other situation, there may be some grounds for not thinking the arrangement is probably right.

By Hon. Mr. McRae:

Q. On the pool from Montreal to Toronto would not you have the advantage on the Chicago business on the through ticket?—A. Montreal to Chicago?

Q. I am referring to the end of the pool from Montreal to Toronto.—A. Yes, we would not have any advantage, because they run the train to Toronto and make their own connection.

Q. But they go out of your station?—A. Only on the afternoon train, not on the morning train.

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Q. I was speaking of the afternoon train.—A. The morning train does the local business, because it stops at all those stations—I think there are about thirteen stops—and as to that we would not be entitled to say anything.

Q. But the afternoon train?—A. That is a pool train from the Windsor station to the union station in Toronto.

By Hon. Mr. Murdock:

Q. Sir Edward Beatty, I understand that the C.N.R. complained rather bitterly that the pooling had not been continued west of Toronto?—A. Yes.

Q. I was wondering if there was anything in connection with this exhibit which you filed with us this afternoon, the first item of which refers to this: owing to longer haul over combined systems, and owing to readjustment of interline divisions the C.N.R. said there was a saving of \$6,540,000, while you say the saving is \$1,396,000. I wonder if the C.N.R. were taking into consideration the possibility of your running your Chicago business via Port Huron over the Canadian National Railways into Chicago instead of by the Michigan Central?—A. That was the proposal in question, but whether it is in that figure you are quoting I do not know.

Q. It looks as if it was because of the difference between their estimate of \$5,000,000 and your estimate of \$1,396,000.—A. There are both freight and passenger in that, Senator. That referred more particularly to the freight than to the passenger revenue. I think there is \$820,000 passenger in that.

I was just going to deal with the West of Toronto situation, if that is agreeable to the committee.

The CHAIRMAN (Right Hon. Mr. Graham): Yes.

The WITNESS: I note that in Mr. Armstrong's evidence concerning the proposed pooling of passenger service West of Toronto, it became clear that agreement of the two sections of the joint co-operative committee was proved impossible, and that, in the last analysis, the decision to proceed no further with active investigation of this question was expressed, on behalf of the Canadian Pacific Executive, in a letter of my own dated October 9, 1934, in which I said:—

After careful consideration it has been decided by our executives that this company cannot agree at the present time to proceed on any basis heretofore suggested with a pooling West of Toronto which would involve the severance of its present satisfactory arrangements with its connections for the handling of traffic to and from Chicago, because of the seriously detrimental effect such pooling would have on the company's rail and steamship interests.

By Mr. Biggar:

Q. That is the letter printed at pages 298 and 299 of the proceedings?—A. Yes. My letter continues:—

The difficulties in the way of reaching a mutually satisfactory arrangement in regard to pooling West of Toronto and in Transcontinental (East of Winnipeg) passenger train services appear at present to be insurmountable and, under the circumstances, in my opinion no useful purpose will be served by our considering them further.

I think that the history of the negotiations in this respect was explored in some detail by the joint chairmen of the joint co-operative committee, but I should like to explain, briefly, the reasons which led to my writing the letter in question.

The reports of the joint co-operative committee made it perfectly clear to me that, in seeking to find equitable distribution of burden and advantage, that committee had reached an impasse. The Canadian National did not appear

prepared to vary from the stand that at least one transcontinental train must operate in and out of the Bonaventure station. The Canadian Pacific felt that if passenger services were to be pooled West of Toronto, there must be concessions on the part of the Canadian National Railways which would include the operation of all trains in and out of the Windsor Street station.

After considering the report of our section of the joint co-operative committee, in order to satisfy my mind that every effort was made, I had thorough study made by the Vice-President of Traffic and the General Manager of Eastern Lines of the Canadian Pacific. In a report to me of August 24, 1934 these officers explained fully the importance of the concessions which this company would be making in engaging in a pooling of passenger services West of Toronto; the disruption of established business connections, and the necessity of obtaining an adequate recompense for the losses involved. I offer a copy of this report for your information. I will read that in a minute and offer a copy as an exhibit.

It was and is my opinion that, in agreeing to pooling of passenger service West of Toronto, the Canadian Pacific Railway would be accepting such sacrifices as to justify me in feeling that it would be difficult to obtain completely compensating advantages.

The situation in passenger services West of Toronto is a very important one. It is quite easy to note that both railway companies operate services from the United States boundary, Windsor in the case of the Canadian Pacific, and Sarnia and Detroit in the case of the Canadian National, and that these services are competitive through Western Ontario. Indeed, I am quite aware that public opinion has been led to believe that the Canadian Pacific was guilty of a major item of duplication in constructing its line to Windsor, to compete with the Grand Trunk Railway. This Senator Dandurand will be interested in.

This is not a fair or complete picture. The Grand Trunk Railway was, in its origin, intended to connect Chicago and the United States Middle West with the seaboard at Portland, Maine. It had connections with the Intercolonial Railway to Halifax, but it is a fact that these connections were not used by the Grand Trunk to any real extent. What traffic was available for Halifax might go that way, but the Grand Trunk's normal route was to Portland.

Thus, when the Canadian Pacific had achieved its original task of building a transcontinental railway Westward from Montreal, and turned to provide itself with a Winter outlet, it was faced with the problem of choosing a route and a port. In view of its status as a national work of the Dominion of Canada, it chose to develop a port on Canadian soil, and obtained its so-called short line through the State of Maine with this purpose in view.

Of course, since the amalgamation of the constituent companies the Canadian National has concentrated on using the Port of Halifax, but, I think that it may be admitted that the Canadian Pacific originated the idea of providing ready access to the sea via Canadian ports.

In endeavouring to make this arrangement, the Canadian Pacific Railway realized that only by building a line from Windsor, Ont., to Montreal could it fulfil its purpose. So much has been heard, from time to time, of the use of United States ports for handling Canadian goods, that it is sometimes forgotten that Canada obtains a very important volume of business in the handling of United States goods via Saint John. Without this additional business, it is improbable that the Canadian Pacific could have justified its building of the short line, and it could not obtain any share of this business except by providing itself with a connection to Chicago and the Middle West.

In addition, the Canadian Pacific, by this line from Windsor to Montreal and its acquirement of a direct connection to Boston, was able, to the advantage of the Dominion to provide an additional route to that of the Grand Trunk for handling traffic between the Middle West of the United States and New England

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Thus, those who question the advisability of the Canadian Pacific connecting with United States lines at Windsor should remember that this was a necessary inclusion to the now accepted program of routing as much as is convenient and feasible of Canadian export and import trade via the Ports of the Maritime Provinces.

It must be clear, of course, that the object which we sought could not have been obtained by any arrangement with the Grand Trunk for connection at Windsor or Detroit, since that Company would naturally use its own lines to Portland as much as possible, and could scarcely be expected to turn over to us any real volume of business at the United States boundary.

Thus, we had the step of building a Canadian Pacific line to Saint John; the necessary complement of building a Canadian Pacific line from Montreal to Windsor, and the equally necessary arrangement with American railways to interchange traffic with them at the latter point.

The arrangements thus made have been in existence now for almost fifty years, and they have been extremely valuable to the Canadian Pacific and to Canada. We have obtained, in this way, the advantage of flow of United States commodities by Canadian ports, and, in the passenger business, access to Chicago and the Middle West, in order to obtain traffic—highly desirable traffic indeed—for our passenger steamships, and for the St. Lawrence route.

To capitalize these connections it is essential that the Canadian Pacific should maintain passenger and freight offices throughout the United States Middle West, and thus offer to our United States connecting railways full co-operation in obtaining the traffic to be handled jointly on their lines and ours.

The pooling of passenger services West of Toronto would have involved the abandonment of these long established connections. The passengers who now book their passage at Canadian Pacific offices in the Middle West for Toronto, Montreal, Quebec, the Maritime Provinces and overseas, may do so at our offices, but the offices of the American lines with which we connect. They can arrange shipment of freight in the same way.

Were we to abandon this arrangement, it is true that we could still sell tickets and solicit freight in our offices in the Middle West, but we should lose every valuable advantage of the co-operation of our United States connections. These railways would, indeed, become very active competitors of ours here, owing to the Canadian National's possession of its own lines from Detroit and Sarnia to Chicago, and routes for interstate traffic via Sarnia and Toledo and via the Central Vermont, it is an active competitor of these United States railways for domestic United States business.

Were we to abandon these connections, the inevitable tendency would be for shippers and shippers to realize that we were offering them a service in no way competitive with, or additional to, that offered by the Canadian National on its own lines. It is my judgment that, as a result, there would be a loss of traffic which is highly important.

It must be remembered that our connections, at Windsor-Detroit, are among others, with the New York Central System. This important railway organization is of great assistance to us, not only in obtaining Eastbound traffic from the Middle West, but also in attracting valuable passenger business Westward via Chicago and North Portal to the Canadian Rockies and the Pacific coast. It will be realized how valuable is the maintenance of its goodwill.

It was not, and is not, my belief that the dangers thus presented are comparable as preventing a pooling of Canadian Pacific and Canadian National passenger services West of Toronto, but they exist, and are very important, and I have never been able to see how I could justify the effectual abandonment of this important business by the Canadian Pacific, except in return for equally important concessions by the Canadian National in connection with other enterprises.

No offer of concessions on such a scale was made by the Canadian National Railways during the negotiations to which I referred in my letter of October 9, 1934.

By Hon. Mr. Hugessen:

Q. May I interrupt? I cannot see how the New York Central would be in any way interested in forwarding your passenger business between Detroit, Montreal and Quebec for overseas service to your ships?—A. Because we have very friendly relations with them which have extended over a great many years.

Q. Surely the New York Central would prefer to see this business go from Detroit to New York?—A. If we had not friendly relations with them.

Q. It must be very friendly.—A. And we appreciate it.

Q. They allow these passengers to travel from Detroit to Quebec instead of over their own line from Detroit to New York?—A. Yes, they do, and they have done it very effectively. There is a very extensive exchange between the New York Central Lines and ours which might be very easily dislocated if our relations were not as friendly as they are now.

This is the report from two of the highest and most valuable of our officers, Mr. George Stevens, Vice-President in charge of Traffic, and Mr. Humphrey, then General Manager, and now Vice-President of Eastern Lines.

By Mr. Biggar:

Q. To which you referred.—A. That is the memorandum of 24th of August to me.

CANADIAN PACIFIC RAILWAY COMPANY

MONTREAL, 24th August, 1934

Memorandum for the Chairman and President:

With reference to the proposed pooling of passenger traffic in the territory west of Toronto:

For some time past we have given this matter our serious consideration and desire to submit herein a summary of our views thereon, as briefly and concisely as possible.

Clause 16 of Part II, Chapter 33, "An Act respecting the Canadian National Railways and to provide for co-operation with the Canadian Pacific System, and for other purposes," reads in part as follows:—

The National Company . . . and the Pacific Company are, for the purposes of effecting economies and providing for more remunerative operation, directed to attempt forthwith to agree and continuously endeavour to agree, and they respectively are . . . authorized to agree upon such co-operative measures, plans and arrangements as are fair and reasonable and best adapted (with due regard to equitable distribution of burden and advantage as between them) to effect such purposes.

Our opposition to the proposed passenger pool west of Toronto is predicated on our conviction that it does not equitably distribute its burdens and advantages between the two railways.

The theory of the *existing* passenger pooling arrangements is as follows:

- (a) That one line shall cancel certain competitive through train between important centres and the other line shall handle the through traffic of both lines.

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- (b) That each line shall take out of the pooled revenues the percentage it carried between the competitive points (during a test period) prior to the pool becoming effective.
- (c) That the expense of operating the pooled services shall be divided in proportion to the competitive service operated by each line immediately prior to the pool.
- (d) That an equitable division of the economies shall be effected by the cancellation of approximately the same annual train miles on each line.

Within the existing pool areas, Quebec-Montreal, Montreal-Toronto and Ottawa-Toronto, it must be admitted that an equitable arrangement to each company has been secured; the only major difficulty is the disturbance of the *beyond traffic* of both companies, particularly at Montreal due to the lack of a joint or Union terminal.

In attempting to extend pooling arrangements into the territory west of Toronto we are confronted with an entirely different situation to that which exists in the pool areas in Quebec and Ontario east of Toronto, and it would appear that the only economy that can be effected in the handling of the through traffic of both railways between Toronto-Windsor-Detroit-Chicago is by the cancellation of practically all Canadian Pacific passenger services presently operated.

The Canadian National operates a double track route between Toronto and Detroit and it would therefore appear that the only feasible pooling arrangement west of Toronto would require to be concentrated thereon—involving the disappearance of all Canadian Pacific through passenger train services.

Unfortunately, from our point of view, such a proposition has very definite, immediate and permanent disadvantages, which forces us to view the proposed passenger pool west of Toronto with much concern. As an operating company, the Pacific would lose all contact with all of the trans-continental lines west of, and all of the through lines south of, Detroit and Chicago. Our extensive overseas traffic to and from that vast territory (where our steamship services must look for future development in competition with New York) could be handled by National employees on National trains and much of the subject to inconvenience if two depots maintained in Montreal. The present benevolent neutrality and co-operation of the New York Central Lines' or extensive soliciting offices in the Middle West and the Pacific Coast would be delivered from the St. Lawrence to active and keen opposition in favour of New York, where their long haul interest lies.

That portion of Ontario which lies west of Toronto is one of the most thickly populated and highly industrialized sections of Canada and with the disappearance of Canadian Pacific passenger train services, along with the closing of our passenger stations at London, Chatham, Windsor, Detroit and Chicago, the prestige of the Company, with its traffic revenues, would undoubtedly be seriously impaired.

The elimination of our passenger services must necessarily tend to remove from the mind of the public the consciousness of our separate identity and the transportation services which we operate by rail and steamer. This process of elimination would be aided by the concentration of all through passenger service in the stations of Canadian National Railways at the five points mentioned above and in several other smaller localities.

One of the most important considerations in pooling propositions is that the traffic destined to and originating at points *beyond* the pool area. Our experience in relation to the Montreal-Toronto pool is that the advantage in connection with through traffic (to points beyond the pool area) is gravitating to the Road operating the joint service. When this is taken into consideration

with respect to our passenger traffic interests in the vast territory lying west of Detroit, the disadvantages to us, in pooling the area west of Toronto, strikingly apparent.

Our traffic relations with the Michigan Central Railroad have been effect for many years and have resulted in building up through passenger connections via Detroit and Chicago which have become established channels, our rail and steamship passenger business to and from the Central, Southern and Western United States, on the one hand, and all other points in Canada east of the Detroit River through to the Maritime Provinces, plus the overseas travel which we have successfully developed via the St. Lawrence Seaway.

To injure our present passenger traffic ramifications—by losing our identity through transferring our rail services to Canadian National Railways west of Toronto, along with the closing of all our stations in Western Ontario—would in our considered opinion, be a very unfortunate proceeding for our Company to participate in.

Moreover, the disruption of our present passenger working arrangements and relations with the Michigan Central Railroad could not fail to have detrimental effect upon our freight interchange with that line. We have conferred with the Freight Traffic Manager and he strongly confirms the foregoing opinion. He states (in reference to the proposed passenger pool west of Toronto):—

I believe such a pooling arrangement would affect our international and "overhead" freight traffic which moves between points in the United States over our rails between Detroit and Wells River, Vt., in both directions. The Canadian Pacific route would gradually be forgotten by the shipping public owing to our prestige being reduced by reason of the thought in the mind of shippers that our interest in serving United States territory was disappearing.

With the disappearance of Canadian Pacific through passenger trains, the whole territory west of Toronto and extending into the United States west of Detroit would soon become Canadian National territory much to our detriment.

It has long been accepted that in competitive freight areas the railway handling the major portion of the passenger business is the line which attracts the bulk of the freight traffic, other conditions being equal. As previously stated, the territory west of Toronto, and extending west of Windsor into the United States, is one of the most important with respect to freight tonnage and we feel very apprehensive of the effect on our freight revenues which would undoubtedly result if effect were given to the proposed passenger pool west of Toronto.

It is not easy to foresee whether, having once abandoned our present working arrangements with the Michigan Central Railroad, it would be possible to re-establish our connection with that line on a fair and satisfactory basis should future conditions make it necessary for us to attempt to do so. At the best, it would be exceedingly difficult to retrieve the position we now hold.

The interests of Canadian Pacific Steamships—freight and passenger—are also directly involved in this matter since, as indicated herein, our through rail services with connecting lines to and from the Central, Southern, and Western United States constitute an important link of the route via Montreal and other Canadian ports. We cannot look with equanimity on any passenger pool which will have the effect of breaking our contact, in connection with overseas traffic, with connecting rail lines operating in the vast territory north and south of the Detroit river.

Under the theory of passenger pooling arrangements, the only trains of the Canadian National Railways which it has been suggested might be cancelled

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to offset the trains cancelled by the Canadian Pacific west of Toronto are the movements between Montreal and Sudbury and between Toronto and Sudbury of the Canadian National transcontinental passenger trains, but this would not in any measure disturb their existing transcontinental services; on the contrary, it would leave them in quite as good a position as they are in to-day. Their contact with their transcontinental passenger traffic would in no way be disturbed. In the territory west of Toronto we are asked to eliminate our passenger services entirely and submerge our identity, while with respect to the transcontinental service of Canadian National Railways they suggest we should haul their trains from Ottawa and Toronto to Sudbury, handing them back to them at that point so that they may proceed over Canadian National rails to Winnipeg and beyond. This certainly does not seem like an "equitable distribution of burden and advantage."

When due consideration is given to all the hazards and disadvantages to which we would be subjected, it would appear that to justify our retirement from the operation of through passenger trains in the territory west of Toronto, Canada and the United States, very substantial compensations elsewhere, to us, are absolutely essential and these have not yet been discovered.

Now, the only thing I need add to that, I think, for the information of the committee, is that early last month Mr. Hungerford wrote me and asked in respect to report No. 58 and to these pooling arrangements, that the abandonments east of Toronto, from Darlington to Brighton, and from Windsor to Woodstock west of Toronto, be further considered by our Joint Executive Committee as soon as he was free and I was free. At the end of last month, after having had a chat with him about that, I wrote him and told him we would be very glad to join with his committee and reconsider this question whenever it was convenient to him. I do not know whether he is going to make any alternative suggestion, or what; but that is the way it stands to-day. A meeting has been agreed upon and will be held as soon as possible.

By the Chairman (Right Hon. Mr. Graham):

Q. Where is Darlington in connection with the railway?—A. Brighton and Darlington are on the lake shore road of the Canadian Pacific right near Oshawa—Shannonville and Brighton are near Belleville.

By Hon. Mr. Dandurand:

Q. Sir Edward, Mr. Armstrong read to us the various reasons which you have just given us for objecting to extending the pooling arrangements towards Armia, Windsor and Chicago, and I put to him this question:—

These seem pretty weighty reasons. I wonder if they did not make the pooling insuperable. All these reasons accumulated strike me as of some importance and perhaps making it impossible for the Canadian Pacific to go into that pooling arrangement. And yet I find it is not so.

I continue the citation:—

"As it appeared to be impossible to find an equitable distribution of burden and advantage in pooling west of Toronto only, but as it was thought that this might be found by inclusion of the Transcontinental services, these areas were coupled in the studies by the Joint Co-operative Committee." Is it logical then to say that these objections bore on an equitable distribution of burden and advantage and that they could be adjusted if there was found elsewhere an equitable distribution of burden and advantage?

and he answered, "Yes, sir."—A. Oh, of course, we can balance it anywhere.

Q. I wonder, with such an important problem as reducing costs or effecting economies, if it would not have been an opportune moment to suggest that an arbitral board should try to bring the two parties together on mutual sacrifices.—A. Subject to the same objections we discussed this afternoon, senator. An arbitral board cannot very well tell the management of the Canadian Pacific or of the Canadian National what is in their best interests over a period of years. It is not equipped to do that, and I would not want to substitute its judgment for that of the responsible officers of the two companies.

Q. So you did not go much further in co-operation because of this statement that there should be a balanced advantage on both sides?—A. Yes, sir, that is what we could not find in our judgment.

Q. And the fact is that you did not turn towards any third party, called an arbitral board, to try to bring about a satisfactory solution?—A. Neither of us did. I should think the National would have asked for the Board if they wanted it.

Q. You stated this afternoon, Sir Edward, that you had presented a suggestion to the Royal Commission indicating a division of the net operating revenue of the unified system, but that you did not think it was opportune to lay it before us. I wonder how this committee can form a judgment as to the advantages to the public and the federal treasury, if we are not to have the whole picture as it was shown to the Royal Commission. I know that I made the statement in the Senate—

I understand that the Canadian Pacific Railway was at one time desirous of ranking the Canadian National obligations with its own common stock, the Canadian Pacific to have the privilege of receiving interest on its obligations and on preferred stock.

I do not know exactly what was the proposition you made to the Royal Commission, but if the Canadian Pacific, which is an independent body, must give its adhesion to a scheme of unification, is it not just that this committee should know what the C.P.R. would put into the amalgamation or the unified management, and what it expected to draw from the joint profits of the two railways? Otherwise we will be without any idea as to what are the pretensions of the Canadian Pacific.—A. Well, I think, senator, that was pretty well discussed this afternoon on the theory that the Government of Canada, the owners of the other property, would be the proper body to consider and determine whether any terms suggested by us could be made satisfactory to them. If they would authorize you to discuss this with me, I shall be delighted.

By Hon. Mr. Murdock:

Q. The Ottawa Journal the other day indicated that the Canadian Manufacturers' Association had intimated to the Rowell Commission a private suggestion that you had made.—A. I do not think so, senator. You may be correct, but I do not think they could have the information.

Q. I cut the editorial out of the paper. I have it in my office. The Journal wanted to know why the rest of us, meaning the public, could not get it.—A. There have been a lot of plans put forward of which we had no knowledge. One was published anonymously a little while ago which indicated possible terms, and of course we did not discuss it with anybody, nor had we evolved any. Yet it was published anonymously, as I say, without any authority from anybody. I do not know whether the Canadian Manufacturers got their information from an official document or whether they did not, and I do not know whether they suggested a division. I have not seen it.

By Hon. Mr. Haig:

Q. You did not give them the information?—A. No, sir.

[Sir Edward Beatty, G.B.E.]

By Hon. Mr. Murdock:

Q. Will you give it?—A. I have covered it in a very general way on page 5 of my submission of this morning. I shall read it to you again:—

The third of my fundamental points is that each group of owners should continue to receive under the unification the net earnings which past experience indicates their company would have received as an independent institution, and that the additional net earnings made available by unification be shared between them on an equitable basis. I assume that the Government would directly receive at least half of these savings. These details, of course, could only be determined at the time of the formal contract.

By Hon. Mr. Parent:

Q. I realize, Sir Edward, that we have a very important man before us, and possibly I can put to him just a few questions to clear my mind as to certain situations. If I understood you properly this afternoon, I thought you meant that Government interference in public affairs so far as railways are concerned was not a proper thing. Did I understand also that you suggested that the Board of Directors would be composed of men nominated by the Government?—A. And by the Canadian Pacific.

Q. And by the Canadian Pacific.—A. Yes, sir.

Q. And possibly somebody else?—A. If your recommendation of 25 was adopted, another system.

Q. If it is wrong to have the government interfere why do you suggest they should have someone to represent them?—A. Because if we were going to operate any properties jointly we would have to have the representatives of the owners on that board. We could not escape it.

Q. If that is the case, who is going to run the show, the Government or the C.P.R.?—A. It would be neither; it would be the new Board of Directors of the new company.

Q. As far as I can judge the people are afraid that the minute the C.P.R. is on that Board it will control the whole thing.—A. We could not.

Q. You will be such a power within the state that you will be the Government itself.—A. Well, I would not think so. The idea of the whole incorporation of a private company to administer these properties on the joint account of the present owners is that it would be absolutely independent and free to conduct it as a business enterprise. That is not an unnatural hope; in fact, I think it is a very essential thing to the efficient operation of the railways.

Q. I draw this consequence from the very fact that you mention, that in many instances you do not agree with the Canadian National people. If they think they are just as good as you are and you think you are better than they are—

Some Hon. SENATORS: Oh, oh.

By Hon. Mr. Parent:

Q.—how can these men come together? I can foresee the situation. I can put it this way. If you harness two horses to a plough and they pull together they will produce something, but if one of them pulls one direction and the other in another, I do not know what the plough is going to do.—A. There is no possibility of pulling in another direction, because there is just one plough and there are not two horses, but just one company.

Q. And that would be the C.P.R.

Some Hon. SENATORS: Oh, oh.

The WITNESS: No. You flatter us too much, senator.

By Mr. Biggar:

Q. I want to draw your attention to a remark by Mr. Fairweather on page 363 of the evidence, where he said:

We have in Canada the Canadian National Railways, a younger railway than the Canadian Pacific on the whole, with its potentialities untested or largely untested.

And again:

You cannot judge those potentialities by any yardstick in the past. Would you care to make a remark on that?—A. I would say this. The potentialities of these two companies are something that nobody can determine now. We each have our advantages and disadvantages. Sometimes our disadvantages turn out to be advantages, and vice versa. The Canadian National are suffering to-day from a condition that does not apply to the same extent to the Canadian Pacific. There is a very strong falling off of traffic in the United States, where they have a substantial and important mileage which we do not have. Because of that drop in traffic their earnings have been affected more than ours. And when you get to the question that is usually raised affecting potentialities, the location of lines in Western Canada, you will find that we have a fairly substantial mileage in the north as well as in the south though we were in the south first. The Canadian National are also in the centre and the north of the prairies, and when the crop is not fairly distributed which is something neither of us can do anything about, we get different percentages of the grain to haul. On the whole we have done remarkably well in spite of the last few years of particular distress in southern Saskatchewan and I think that our percentage of the grain crop last year was well over 50 per cent of the total. You cannot gauge potentialities. There may be an area which they have which will develop very materially. We may not have a parallel area. But it is up and down all the way, and there has not been any great change. I do not think it is a thing anybody can estimate.

By Hon. Mr. Sharpe:

Q. Sir Edward, the Government are proposing to put in all the C.N. outfit.—A. All the railways.

Q. No, everything, as I understood it.—A. They have not said that.

Q. That has been the usual idea, to put in everything. Now, you say this morning that you would hold back your ships and your lines in the United States. Just what do you propose putting in?—A. The lines in the United States are not ours to bring in. The only line in the United States we could put in would be the C.P.R. in the east.

By Hon. Mr. Parent:

Q. How about the Minneapolis and St. Paul?—A. No, those are entirely separate, and I do not think you want them. They are all in the hands of receivers.

Some Hon. SENATORS: Oh, oh.

By Hon. Mr. Dandurand:

Q. I am not in a position to test the 5,000 odd miles you think could be raised, but I think it would be very important for us to test the value of those 5,000 miles in order to see if that figure is one that really can be justified, or whether it would be only half of it. I make that statement because we do not know really if there are 5,000 miles that can be abandoned and the question is of some importance in view of the economies that would be involved.

[Sir Edward Beatty, G.B.E.]

from the abandonment of 5,000 miles. Perhaps you are not in a position to go through the whole of this mileage?—A. No, but we have that ready for you and we have a witness available for you when you want him.

Q. We have been told that there were 500 miles of branch lines that did not come under the Canadian National-Canadian Pacific Co-operative Act which belongs exclusively to the C.P.R. and which could be lifted by the C.P.R. independently of its relations with the Canadian National. And yet, during the last five years you have only felt that you could present to the Railway Board 100 miles of those 500 miles, of which you were allowed 50. So we were left with the impression that there were 400 miles about which I had changed your mind as to the advantage of lifting.—A. I do not think, Senator, I can debate that with you until Mr. MacNabb gives his evidence as to what the 5,000 miles consists of, and the reasons for it, which I think can be done very generally and very quickly for your purposes.

By Hon. Mr. Calder:

Q. Did you not make the statement in one of your documents this afternoon to this effect: that if the whole 5,000 miles were abandoned the total saving would be \$7,500,000?—A. A little over \$7,000,000 if we did not abandon any.

Q. In the typewritten document dealing with the \$75,000,000 of anticipated savings. Now, included in that was 5,000 miles for abandonment, and in that document will be found the statement that if the whole 5,000 miles were abandoned the saving would be a little over \$7,000,000.

Right Hon. Mr. MEIGHEN: \$16,000,000.

The WITNESS: We said the saving was \$7,000,000, and we said that if none of the 5,000 miles were abandoned the difference between that and the \$16,000,000 we had included would be partly saved, and therefore if we did abandon any of the 5,000 miles it would be a little over \$7,000,000.

By Hon. Mr. Parent:

Q. I do not know whether it is fair to ask this question. Possibly Sir Edward Beatty will be replaced by some other officials. Where are these 5,000 miles that are supposed to be abandoned?—A. They are all over the country. There is a special map prepared showing each one of them.

Q. How many miles in the province of Quebec are going to be abandoned as far as the C.P.R. is concerned?—A. That I cannot answer offhand, but I will get it for you.

Q. But it is a fair question?—A. Quite.

By the Chairman (Hon. Mr. Beaubien):

Q. I understand that you have a special witness who will go over that ground thoroughly?—A. Yes, sir.

By Hon. Mr. McRae:

Q. In abandoning 5,000 miles you are, of course, going to remove transportation from some municipalities and villages. Have you given thought to what it would cost the government or the unified company to provide transportation to those municipalities?—A. No, sir, it is not in the estimates.

Q. Could you give the committee any idea what that might mean in the way of money?—A. No, sir.

Q. It is evident, Sir Edward, that some facilities must be provided in the way of good roads, or something. You cannot leave those municipalities like that. That is a liability that your scheme carries with it. I thought

probably you might give it some consideration.—A. Naturally we would be in the hands of another tribunal as to that. We could not estimate the cost until we knew what we were going to abandon.

Q. I think that even a rough idea of the villages that would be deserted would be very informative to the committee.

Hon. Mr. MURDOCK: After we get the mileage, cannot we get the industrial commissioners of the two roads here in order to ascertain what industries are located on those two lines of railway.

Hon. Mr. McRAE: I thought Sir Edward had given that some thought.

The WITNESS: We can give you that, senator.

By Hon. Mr. Dandurand:

Q. Now, Sir Edward, I see the line between the Intercolonial and your line running from Montreal to Saint John. We understood you suggested the abandonment of that middle line running from Quebec—I must not hurt the feeling of my honourable friend, Senator Parent—running from Levis to Saint John. How were you rerouting the freight coming along that line, on your own short line from Saint John to Montreal?—A. Mr. Macnabb can answer that, because he made the estimate. If you are ready for him to-morrow morning or even to-night, he will be available to go on whenever you say.

By Hon. Mr. Parent:

Q. We appreciate your view of the whole situation, Sir Edward. Of course so far as details are concerned, I quite understand that we must ask somebody else.—A. Yes, Mr. Macnabb is ready.

By the Chairman (Hon. Mr. Beaubien):

Q. Are you through?—A. Yes, sir.

Q. Tell me as a parting answer—

The CHAIRMAN (Right Hon. Mr. Graham): Are you going to close the debate?

By the Chairman (Hon. Mr. Beaubien):

Q. Yes. Some statement you were reported in the press as having made, for instance, that we could dispense with 5,000 miles of redundant lines and deprive no community of facilities?—A. No, sir, not with the other alternatives that are open to them, because this is redundant mileage. Do not forget that. There are always other railways in the picture when we think of withdrawing a line.

Q. So no communities would be deprived of sufficient facilities by the abandonment?—A. No, sir.

By Hon. Mr. Casgrain:

Q. Is it right, Sir Edward, to say that if you had on the wheat trade the same rates as they have in the United States per mile, it would be a 25 per cent increase?—A. Oh, yes.

Q. How much would it be?—A. I don't know.

By Hon. Mr. Calder:

Q. He said he would not do it. The question I wished to ask is this. You referred to a fifty-fifty division of something.—A. Savings.

Q. What do you mean by "savings"?—A. The economies to be effected as a result of unification.

Q. Just the savings—A. Yes.

[Sir Edward Beatty, G.B.E.]

By Right Hon. Mr. Meighen:

Q. Sir Edward, on that point I have not yet very clearly in my mind the principle upon which you had arrived at such earnings as are not included in the base from which it starts.—A. We would do that by reference over a period of 5 years to the earnings of the two companies, and arrive at a formula of division of the net earnings in consequence of those proportions so ascertained, and then each company would get that proportion and, in addition, would get half the savings, which of course would represent the increased net earnings.

Q. You take a period and take the earnings over that period of the two companies but I would presume in taking your own you would deduct earnings of such extraneous assets as were not part of the railway system.—A. Yes, those would be entirely railway.

Q. And in the unification you propose to exclude corresponding assets of both companies?—A. Yes, sir.

Q. That is to say, there will be certain water transport assets of the C.N.R. which are really part of the railway system, and certain of your water transport assets which are part of your railway system?—A. Yes, sir.

Q. And doubtless the hotels of both companies?—A. Yes.

Q. The only thing you really had in mind, I presume, would be your extraneous investments and your ocean services?—A. And lands.

Hon. Mr. DANDURAND: And the smelter.

By Hon. Mr. Parent:

Q. I have another question to ask. Mr. Fairweather made a statement to the effect that from Armstrong to Moncton, which is a line built entirely within the province of Quebec, it is a paying proposition so far as the Canadian National is concerned. I do not want to be unjust to him at all, but I understood him to say that the C.P.R. had recommended the disappearance of this line. Being an important question, I suppose the President of the Canadian Pacific would know about it.—A. All I can say is that the whole transcontinental station, or at least the part east of Winnipeg, is still under consideration by the officers of the two companies. Mr. Macnabb can tell you the state in which it is now.

There is only one other thing I should like to add, Mr. Chairman, and that is this. In approaching the question of unification or other methods of relieving the present railway situation, I have almost automatically assumed that in no other way could as great savings be secured as through unification. If I thought there was another way, of course I should be very glad to explore it; but nobody has suggested another way except co-operation on the one hand and doing nothing on the other, which obviously is not going to effect any savings. So I am reluctantly come to the conclusion that we must face it in rather a big way, while it may sound drastic, it is not the kind of thing that should prevent us from accomplishing it if, for example, both the Canadian National and the Canadian Pacific were privately owned and operated and we had power to do it, because I am quite sure if we were two private businesses we would not be bothering you here now, we would have done it long ago, and I should hope that if we would be in a fair financial position.

The Shaughnessy plan which I mentioned to you earlier, and which was adopted in 1921, of course, is not a plan that would fit in with these conditions. Mr. Shaughnessy had a view that most men had at one time, that the fact that the old Grand Trunk began in the United States and ended in the United States would make its operation under the auspices of a foreign Government something that would give its competitors in the United States a great advantage. He felt the American railroads would try to take traffic from the Grand Trunk because it was a foreign railway owned by a foreign Government and in competition with their own privately-owned railways. He therefore excluded the

Grand Trunk from his plan. He only put in the Canadian Northern, the Transcontinental and the Grand Trunk Pacific, and he said, as you know, to the Government: Take over the Canadian Pacific, not on an agreed valuation or anything of that kind, not for cash, but simply on an undertaking that they would give certain returns. Now, if that had been accomplished in 1921 or shortly after, I do not believe the Senate committee would be bothered by hearing me to-day. I do not think we would have had a railway problem. I think our savings and our lack of unnecessary expansion in the interval would have taken care of the requirements of both companies, and I do not believe the so-called guarantee of common stock would ever have been effective.

By the Chairman (Right Hon. Mr. Graham):

Q. What would have become of the poor old Grand Trunk?—A. The Grand Trunk suffered from other ailments, as you know.

Q. Yes.—A. If you don't, Mr. Meighen will tell you.

Some Hon. MEMBERS: Oh, oh.

By the Chairman (Right Hon. Mr. Graham):

Q. I am not sure that I would want verification. I just interjected that remark. If the Grand Trunk had been left out, would not a large portion of our transportation have been worse off than it is now?—A. I am inclined to think that if the Grand Trunk were out of this combination and under proper administration and, of course, relieved of its Grand Trunk Pacific obligations, the showing would not be very disappointing, because it is a very valuable property.

Q. I think so.

By Hon. Mr. Dandurand:

Q. Sir Edward, you have stated that after examining the whole field you have come to the conclusion there is more virtue in unified management than anything you have heard of so far. You are thinking of co-operation and the laissez faire policy. I desire to lay before you this situation which is in my mind. Supposing that the people of this country, Parliament, if you will, representing them, declared, just as did the Duff Commission, against unification, amalgamation, and that we are facing that situation of the two railways as they are, and that there is not a rapid recovery from the depression; on the contrary it seems to be sliding down; would not the two railways by dire necessity come together and make the necessary agreements for their own salvation by co-operation? I put this question because it may come up to us, and I think we shall have to explore that situation of what can be done by the two railways if they are faced with the fact that the country will not accept amalgamation. I am putting this hypothetically, but suppose it be so and there is a strong trend of opinion against what would be amalgamation, then is it not our duty as a committee to explore the situation and see if the two railways, left to themselves by sheer necessity would not bring about those economies which they see in unified management?—A. If that happened as you describe it, Senator, there are two things the railways would do. They would proceed as far as they could under this statute as it is to co-operate with such speed as they find possible. And if traffic was thoroughly depressed, as it is at the moment, with the hope that it will not continue, and if it continued as it did in 1932 and 1933, drastic individual economies by the railways would be absolutely necessary, and that would be done, I think, by both companies. We have met these necessities in conditions before. You have a statute which has not, let us say, worked satisfactorily, but it does provide for a certain measure of co-operation between the two railways. Now, we will continue to act under that statute and do the best we can with it and to make the economies we can under it, and we will also

[Sir Edward Beatty, G.B.E.]

compelled if this continues, to drastically reduce our own expenses as an emergent, not as a permanent, thing at all. It is the permanent solution I am concerning myself with.

Hon. Mr. CASGRAIN: Mr. Chairman, you just mentioned the old Grand trunk. Frank Scott of Montreal was vice-president and treasurer of the Grand trunk, and he said that of every dollar the railroad took in, 63 cents came from Chicago.

By Hon. Mr. Calder:

Q. Sir Edward, we had a statement from Mr. Fairweather to the effect that the present system of attempting to co-operate with a view to making economies continued along the lines on which it is now conducted, it would take 50 years to effect the economies that were submitted to the Duff Commission. And if I am not mistaken, Mr. Armstrong agreed with his view. In other words, they did in effect that under the system you are attempting to work out at the present time, large economies are practically impossible?—A. We have not discovered any means of effecting economies under a co-operative system and still retaining competition. That is our trouble. I think Mr. Fairweather said that if time were no object, considerable economies could still be effected by a voluntary co-operative system.

Q. Then there is an alternative, and that is to apply a little more compulsion?—A. Yes, and I do not believe in that; I do not think it would advance our situation at all.

Q. You do not believe in that, mainly on the ground that no single person on a board would be competent, in your judgment?—A. I do not think that intervention in a compulsory, coercive way would be effective.

Q. For what reason?—A. Simply because I do not believe it is proper for a tribunal or an individual to be clothed with that power of taking up property, changing the administration of a private institution in particular, without any responsibility to its owners.

By Hon. Mr. Murdock:

Q. Sir Edward, may I ask you a question? I understood you this morning to indicate that the Canadian Pacific steamships were not included in your proposal of unification of the railroads?—A. Not yet.

Q. That being the case, if the railways were unified what consideration would be given to the Canadian National half of the unification for their efforts as joint feeders to the Canadian Pacific steamships?—A. They would be given a contract, no doubt, which would entitle them to a proportion of the steamship earnings.

By Right Hon. Mr. Meighen:

Q. If I got the main feature of this argument here—it is new to me—that there are certain results that would come from unification, in the way of economies. They are similar to, though you claim very much smaller and lower than, the results that would come from co-operation. And just in proportion as co-operation proceeds and succeeds, the very same objections, if there are such, that apply to unification would apply to co-operation?—A. Yes, sir. And the more extensive co-operation became, the closer it would be to unification.

Q. That is, if we got where we are seeking to get along the road of co-operation, then the evils that we fear from unification would be upon us too?—A. Exactly.

Hon. Mr. DANDURAND: I do not quite understand that.

Right Hon. Mr. MEIGHEN: To be specific, we should get the same character of advantages from both, that is the advantages of economy. Sir Edward claims we should get them in much greater supply and much sooner by unification.

His argument is that we fear we shall pay a price for those economies by unification, the price of less labour to get the results, and the price of a virtual monopoly. And he says that if co-operation succeeds, and in proportion as it does succeeds—and rapidly if it succeeds rapidly—you pay this very same price through co-operation. You pay the very same price, in having less labour to do the work and in arriving at a virtual monopoly. It is only to the extent that you do that you get any results at all from co-operation.

Hon. Mr. DANDURAND: The question is, how far would you carry co-operation?

Right Hon. Mr. MEIGHEN: If you only carry it a little distance, you pay a little price but you get only small results. He says if you carry it the distance that it is urged it should be carried, you would get big economies and you would get exactly the same other results as you would from unification.

Hon. Mr. MURDOCK: But under unification, if the five directors representing the Canadian Pacific said "No" to something that was going to affect vitally the privately owned company, that thing would not be done, because Sir Edward says that would affect the private company.

The WITNESS: No, that would not be so after the event. Then we would work for the one company.

By Hon. Mr. Murdock:

Q. One company, although there are five directors representing the Canadian Pacific? And five representing the Canadian National?—A. Yes.

Right Hon. Mr. MEIGHEN: One company managing the two systems.

By Hon. Mr. Murdock:

Q. And the other five directors appointed?—A. Yes, selected by the testimony you have just mentioned.

The CHAIRMAN (Hon. Mr. Beaubien): If there are no other questions of Sir Edward, we shall go on with someone else. We are very thankful to you, Sir Edward, for the presentation you have made to us. You have thrown a lot of light on the subject, undoubtedly, and I am sure this will be very beneficial.

Mr. T. C. MACNABB, General Superintendent, Canadian Pacific Railway Company, appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Macnabb, what is your present position with the Canadian Pacific Railway organization?—A. At present, Colonel Biggar, I am the General Superintendent of the Canadian Pacific lines in the district of New Brunswick. At the time of making this estimate of line abandonment, I was the Engineer of Construction for western lines for the Canadian Pacific. Some years prior to that I had been occupied in the business of designing, locating and constructing branch lines, for some twelve years, for that railway; and then had the experience of being in charge of all the Canadian Pacific lines in the province of Saskatchewan, with reference to their maintenance; and from there had the advantage of going to the mountain territories, from Field to Kamloops, in charge of the operation of that difficult portion of the railroad. And for some six years immediately prior to making this estimate of lines for abandonment, I had been busy in the work of locating and designing and constructing the branch lines of the Canadian Pacific from Fort William to Vancouver Island, and in the capacity had made some fairly thorough examination of the three routes from the head of the lakes to the Pacific that were formerly the Canadian Northern Railway, the Grand Trunk Pacific Railway to Prince Rupert, and our own line. And in looking over western Canada, more particularly, besides going over it

[Mr. T. C. Macnabb.]

oot, I had the advantage, for some six years, of flying throughout all of the Prairie Provinces, most of British Columbia, and the area known as the Peace River country, including that tributary to and beyond the Northern Alberta Railways. So that when dealing with the problem of line abandonment, in company with an officer who had like extensive and particular information concerning the situation in eastern Canada, we felt that we could approach the problem of superfluous lines in Canada, not only those of our own but of the Canadian National, with some feeling that we had a fair conception of the problem before us.

Q. And that officer who was familiar with the eastern lines was Mr. MacKenzie?—A. Yes.

Q. In Sir Edward Beatty's statement to-day he told us that you and Mr. MacKenzie and Mr. Armstrong, the Assistant Chief Engineer, were the three people charged with this question of possible line abandonments?—A. Yes.

Q. And did you act together?—A. We did.

Q. The three of you?—A. Yes.

Q. And you were principally concerned, I suppose, with western lines, and Mr. MacKenzie with the eastern lines?—A. Quite.

Q. And Mr. Armstrong, with both east and west, generally?—A. Yes.

Q. The result was the submission of what has been referred to as Exhibit A, list of eighty-three possible line abandonments, which are set out in the proceedings, beginning at page 427, was it not?—A. Yes sir.

Q. At that time had you any knowledge of any proposals with regard to line abandonments which had been previously made, from the Canadian National?—A. No, that was not before us.

Q. This committee of the three of you that you have spoken of, was it responsible for the figures that resulted from the proposals with regard to line abandonments, I mean as to economies that would be effected by these line abandonments?—A. No, that was not their province. Perhaps I can say that we were dealing primarily with the location and extent of the lines that would be considered for abandonment. My evidence would be directed to the line abandonments that were submitted to the Royal Commission and it is important to bear in mind the essential distinction between abandonment under unification and abandonment under co-operation. That has been pointed out previously with respect to the line from Soulanges to Cornwall, a branch of some 27 miles of the Canadian Pacific, which cannot be abandoned under co-operation but which would very properly be a line for abandonment under unification.

Q. Do you remember what number it is?—A. No. 18, in the Exhibit No. 50, page 427.

Hon. Mr. DANDURAND: I think there was a map filed by the Canadian Pacific covering those lines that were to be abandoned. I wonder if it could not be put over this big map?

(A map was placed over the large map on the wall.)

Some Hon. SENATORS: It is too small.

Hon. Mr. DANDURAND: I think we will be better with the big one.

By Mr. Biggar:

Q. You could have someone point out any line you speak of on the big map.—A. Yes, Mr. Biggar.

Q. Now, Mr. MacNabb, that list in Exhibit No. 50, covers, I think, 5,051 miles, does it not?—A. The Canadian Pacific proposals suggested the abandonment, for all lines, of 5,051 miles. The original submission of the Canadian National suggested the abandonment of 2,434 miles. They subsequently submitted to the Royal Commission a study showing 1,966 miles of thin traffic lines as suitable for abandonment. In these two figures of the Canadian

National there was a duplication of 141 miles, so that the aggregate possibility of abandonment as described by the Canadian National may fairly be put at 4,259 miles.

Q. Now, the submissions by the Canadian National with regard to the 2,400 miles are those that form part of Exhibit 42, are they not?—A. I think it is filed as Exhibit 45.

Q. Exhibit 42.—A. Exhibit 42, and it is shown again in Exhibit 45.

Q. And the list of the 2,434 miles of proposed abandonments is that which appears on page 501 of the Proceedings. Do you know if we have any list of the 1,966 miles, because that is news to me?—A. That is in Exhibit 45, sir, as the thin traffic lines program for abandonment proposed by the Canadian National.

Q. But that is not printed?—A. No, sir. The estimate of the 5,051 miles by the Canadian Pacific, and the 2,434 miles by the Canadian National have in common 2,098 miles. On that mileage specifically we are agreed. As between the figure of 5,051 of the Canadian Pacific and the aggregate figure of the 4,259 miles by the Canadian National, taking other lines, there are 2,430 in common.

It is relatively of little consequence in the consideration of the problem of unification as a whole whether one has regard to the figure of 5,051 miles or 4,259 miles, or indeed even a much lower figure than either, as the measure of probable line abandonment.

Q. Because?—A. As has already been indicated, a large measure of the estimated saving can in fact be achieved, failing complete abandonment, by re-routing of traffic and by a program of reduced maintenance on those lines from which traffic is diverted. The complete failure of the line abandonment program would only reduce the total estimated saving by some \$7,000,000 at the most.

Q. You mean that if they were all retained it would reduce that \$75,000,000 to \$68,000,000?—A. Yes.

Q. That would mean 10 per cent of the total. And that would be further reduced, I suppose, if, instead of abandoning, there was a re-routing and reduced maintenance?—A. That was taken into account in the \$7,000,000.

Q. That is my difficulty. I understood your \$7,000,000 to be the reduction in the \$75,000,000 figure if there were no abandonments at all.—A. Correct.

Right Hon. Mr. MEIGHEN: But all other economies made.

By Mr. Biggar:

Q. But there was a reduced maintenance on all of them, or how much of them?—A. There would probably be a reduced maintenance on all of them and a re-routing of traffic, which has been taken into the estimate of \$75,000,000 and which would remain there.

Q. Retaining a service, but not as high-grade a service?—A. Precisely.

It should be borne in mind that in 1932, when examining the program of line abandonments, there was no statutory restriction upon the right of a railway company to abandon. Since 1933 the approval of the Board of Railway Commissioners has been made necessary. Nevertheless, the fact is that the approach to the consideration of the abandonment was substantially in line with the rule which the Board has laid down in its various decisions.

Q. The approach in the committee?—A. Precisely. It was recognized by the committee that the public interest was of first importance, and all factors bearing on the business of the district, the needs of the people, the existence of alternative rail routes, the available highways and the road transport facilities where any existed, were carefully weighed. It was assumed that, normally, railway lines were not required closer than twelve miles apart. However, probably now that distance would be very much increased.

Q. Because?—A. Because of the advent of motor vehicle transportation.

[Mr. T. C. Macnabb.]

Q. You mean the extension since 1932?—A. In 1930 the motor vehicle was not a prime factor in rural transportation. Now it is.

Q. You mean that change has come about in the last eight years?—A. Precisely.

By Hon. Mr. Dandurand:

Q. Do you mean in ordinary passenger motor cars, or in trucks?—A. In trucks and in private automobiles.

By Mr. Biggar:

Q. Have you made any study to formulate any idea of a figure which now might be substituted for that twelve miles?—A. No. If there was any considerable traffic in the district affected by abandonment, careful consideration was given to the route which would be available after abandonment; nor was it overlooked that the country as a whole is in process of development, and that the future growth of individual districts demanded consideration. And so, in the list that has been filed, there has been included the method of handling the traffic from the abandoned line.

Q. You mean in the wide column in the exhibit?—A. Yes. Your honourable committee has before it, as Exhibit No. 50, page 427 of the record, a schedule of the track abandonments proposed in the submission of the Canadian Pacific to the Royal Commission. It shows the method of handling the traffic from the line proposed to be abandoned.

Q. Yes?—A. This exhibit still represents the measure of what, in our judgment, is possible, though it must be recognized that conditions have to some extent changed, and that some adjustment of specific items in the list may be necessary. This will always be true of any estimate of this kind for the reason that between the time of the making of any estimate and its fulfillment industries may locate upon a railway line which could as readily and economically have been established elsewhere were abandonment an established act. The industry may be, and often is, so located on trackage for the existence of which there is no economic justification. The same is not necessarily true, of course, in the case of mining or of lumbering activities, which may be inherently bound to a specific location.

One such problem presents itself in connection with the proposed abandonment from Conmee to Superior Junction, and from Nakina to Paddington, which appears as item 44 in Exhibit 50. When that was considered—

Q. That is at the top of page 430.—A. With respect to the abandonment from Conmee to Superior Junction, and from Nakina to Paddington, which is substantially Winnipeg, and which appears as item 44, I may say that when this was considered as of 1930 it was the judgment of our committee that the rough traffic between Winnipeg and the head of the lakes could be amply taken care of by the double track main line of the Canadian Pacific and by the Canadian National line through Fort Frances; and in the judgment of the committee there was no local traffic which warranted the continuance of the maintenance of the National Transcontinental between Nakina and Paddington, the branch line between Conmee and Superior Junction.

By Hon. Mr. Dandurand:

Q. Covering 657 miles.—A. The mileage is set out in Exhibit No. 44, and is 657.

Some development has undoubtedly taken place since 1930 in the area served by these lines.

Hon. Mr. MURDOCK: Would you show us Conmee on the map, please?

(Conmee is indicated on the map.)

Hon. Mr. DANDURAND: And Superior Junction?

(Superior Junction is indicated on the map.)

And Nakina to Paddington?

(Indicated on the map.)

The WITNESS: Paddington is the operating junction just outside of Winnipeg.

Some development has taken place since 1930 in the areas served by these lines, and the problem in this district would require to-day a re-study before it could be said that the entire program could be carried out. Nevertheless, should it be found that complete abandonment was inadvisable, a large measure of the estimated savings could still be achieved by the re-routing of traffic and a change in the standard of maintenance on the line from which the traffic is diverted—a change which, while easy of accomplishment under unification, is difficult if not impossible under co-operation.

A sincere effort was made in our study of the abandonment program to visualize the situation while unification was in process of achievement, and to disabuse our minds of any preference with respect to the lines that might be abandoned, as between one company and the other. Undoubtedly, however, under unified management the unified railway system might make many changes in the detail of the abandonment proposals shown in the list that has been filed, without, however, materially affecting the ultimate measure of the saving.

It is worth noting that under co-operation two lines being considered—one Canadian Pacific and one Canadian National—

By Mr. Biggar:

Q. That is by your committee?—A. Our committee—it was the Canadian National line that was marked for abandonment; but co-operative examination over a more extensive period has resulted in the Canadian Pacific line actually being removed. That is an example.

By Hon. Mr. Murdock:

Q. You mean in this list?—A. Yes, senator. It is a portion of the Lindsay Orillia.

By Mr. Biggar:

Q. What number is that?—A. No. 34.

By Hon. Mr. Murdock:

Q. May I ask one question about No. 44, abandonment of Nakina to Winnipeg? Is not Sioux Lookout an important entrance to an important mining field?—A. Quite right, senator, and largely served by aeroplane facilities.

Q. But still, is there not a great deal of traffic that goes in which the aeroplane picks up at Sioux Lookout?—A. They could pick it up at the remaining lines, because in flying miles are not of very great importance.

Q. The remaining line would be at Kenora or Fort Francis?—A. Quite.

By Hon. Mr. Hugessen:

Q. Most of that development has occurred since 1930?—A. Yes, sir.

By Mr. Haig:

Q. Where is Hudson on that line? It is up near Sioux Lookout.

Hon. Mr. MURDOCK: It is just seven miles west, isn't it?

The WITNESS: The mining area is now served from Hudson, and the aeroplanes could just as well be based on Kenora as Hudson, so far as the facility of serving that area is concerned.

[Mr. T. C. Macnabb.]

By Mr. Biggar:

Q. What is the distance between Hudson and Kenora?—A. I have not that information before me.

Q. Approximately?

Hon. Mr. MURDOCK: About 150 miles.

The WITNESS: Not across country.

Right Hon. Mr. MEIGHEN: It would be about 70 or 80 miles.

By Mr. Biggar:

Q. What is the shortest distance between Hudson and the Canadian Pacific?—A. Looking at the map I would say it cannot be 25 miles.

Hon. Mr. HAIG: It is 70 or 80 miles, I think.

By Hon. Mr. McRae:

Q. The C.P.R. is much nearer Sioux Lookout east of Kenora?—A. Yes, General.

By Right Hon. Mr. Meighen:

Q. You could have a point about 25 or 30 miles away?—A. It cannot be more than 25 or 30 miles, speaking from my knowledge and recollection of it.

Mr. BIGGAR: Now, would the committee like Mr. MacNabb to run over these 83 items and indicate which have been dealt with and in respect of which the situation, according to his opinion, has changed in the last eight years?

Hon. Mr. McRAE: I think that is very necessary for the committee, because then they will have a picture of it.

Hon. Mr. CALDER: We had several pictures of the same thing before you came, and I imagine we will get the same kind of picture again.

Hon. Mr. McRAE: You have not had this picture.

By Right Hon. Mr. Meighen:

Q. Have you changed your mind in any important way as to any one of these? Is there any one of them that you think cannot be utilized for the purpose of saving? A. The answer to that is that while we had in 1932 precise and full information, personally I have not got parallel information as of 1937 or 1938. I am quite free to say as I did that development in the interval will require that study should be made of the specific lines listed for abandonment. It is my position is this, that the whole question of line abandonment under existing conditions, when studied from the standpoint of unified management, will nevertheless result in a mileage of about 5,000 that can with profit to the railway systems of Canada be abandoned without injury to the public at large. After all, sir, it is a mere 12.2 per cent, and knowing the situation as it then stood, it was certain that that measure of the line abandonment could be maintained, and since we together considered some 7,248 miles jointly, but separately, meaning that the sum of our investigations separately resulted in a consideration of some 7,000 miles of line, it is not pressing the thing to an extreme conclusion to say that 5,000 miles can, under unified management be abandoned without public disservice. That, sir, is still our conclusion.

Hon. Mr. CALDER: Mr. Chairman, may I interject here in the fear that we are going to enter upon a discussion which will be very long, and I doubt whether it will be very helpful to the committee. For Senator McRae's information, I may say we had the chairman of the Canadian National section and the chairman of the C.P.R. section of the joint co-operative committee before us.

Those two gentlemen, as witnesses, went through somewhere in the neighbourhood of 2,500 miles of lines that they were considering for abandonment, and they dealt with them in the greatest detail.

Right Hon. Mr. MEIGHEN: That was under co-operation.

Hon. Mr. CALDER: Yes. They explained what had been accomplished, and what they were still working at, and so on.

Hon. Mr. HAIG: You should go further, Senator Calder, and say that when they did submit their abandonment proposals to the Railway Commission they got only a small portion allowed of the ones they had agreed on.

Hon. Mr. CALDER: One of them stated it would take fifty years to get any real results under co-operation. Now, the only sections of these railways that have not as yet been worked on intensively—I might say it does not look as if there was any hope of getting any results under co-operation—are the line from Hope down to the sea; then there is this section between Port Arthur and Winnipeg and then there is another section over here from Quebec to Moncton. I think if we have Mr. Macnabb's views of the situation so far as those three sections are concerned—there is one other in the West between Portage La Prairie and Wolseley—which are the main sections upon which we did not get what we might call conclusive evidence, probably we might get some help from Mr. Macnabb if he would give us his views.

Right Hon. Mr. MEIGHEN: Do you mean Mr. Fairweather discussed the possibility of abandonment on the basis of unification?

Hon. Mr. CALDER: No.

Right Hon. Mr. MEIGHEN: Then there is no comparison in the two present cases.

Q. Is not this important? Mr. Fairweather did take up certain ones—I will not name them now—as to which he said that under unification you could get nowhere. Have you those in mind, Mr. Macnabb?—A. Yes, sir.

Q. I should like your comment on his evidence in so far as it was directed to the possibilities under unification?—A. Diamond Junction to Pacific Junction was specifically the one that was referred to. The Canadian Pacific officers suggested taking up 371 miles, leaving the sections between Edmundston and Cyr and between Chipman and Pacific Junction.

By Hon. Mr. Murdock:

Q. That is the transcontinental east of Quebec, Mr. Macnabb?

By Hon. Mr. McRae:

Q. How many miles?—A. 444.

By Hon. Mr. Murdock:

Q. Mr. Fairweather said it was a very important low grade line for the handling of freight traffic.—A. There is no question at all but what the National Transcontinental was designed and built to the most modern specification and so far as design is concerned it is a first-class railroad. As regards its present condition with respect to maintenance, necessarily there is not much to be said. It does not follow either, though the line was there able to handle a large volume of traffic economically, that it was necessarily used. Indeed, my information is that it is not used to anything like capacity. Regarding the line, the Canadian Pacific officers had suggested taking up some 371 miles.

By Right Hon. Mr. Meighen:

Q. Mark on the map the parts you are going to give up.—A. We left the section between Edmundston and Cyr. As a matter of fact that piece of line is now used jointly by the Canadian Pacific and the Canadian National under co-operation.

[Mr. T. C. Macnabb.]

By Hon. Mr. McRae:

Q. I suppose there is some industry there?—A. No. We are using it jointly. As we were taking up one, it meant that one would have to remain, and that one was the National Transcontinental. Since the report of 1932 joint use of the National Transcontinental between Cyr and Edmundston has been put into effect. So that is why that mileage was left out.

By Hon. Mr. Moraud:

Q. I suppose you would provide for communication between those centres.—A. The lines were so close together, as they are in many of the items that we have submitted for abandonment, that there was no hardship at all.

By Right Hon. Mr. Meighen:

Q. I can understand how you would consider taking up that parallel part until you got to its northern extremity, but how could you take up between that and Edmundston?—A. It was conceded that the two lines to be retained, the Intercolonial and the Canadian Pacific line from Maine to Saint John, New Brunswick, could handle all the through traffic and the probable increase for many years to come.

By Hon. Mr. McRae:

Q. Is there any development along that part of the Transcontinental?—A. There is some. It is estimated that the total number of people who would be left at a greater distance than ten miles from the remaining lines would be, over the 444 miles, 30,000. A considerable number of those would be tributary to the sections which under this proposal would be retained. Even accepting the figure of 30,000, it would hardly seem necessary to maintain 31 miles of track for their accommodation.

Q. What would you do with them?—A. They are tributary and close to the remaining lines.

By Hon. Mr. Moraud:

Q. How close? In some cases the distance is over 20 miles. And we have to take our winters into account. For seven months of the year these people would be deprived of any communication whatever.—A. My experience in that district is that the highways are kept clear, as they were last winter, of snow.

Q. No, that is just around the cities, not in this part. And then we have to take into account the public reaction. I am sure that if we tried to do away with the Transcontinental we would have a revolution there from the communities that have got used to that line.—A. Senator, with respect to that particular question, we still feel that in the Board of Railway Commissioners we have an impartial body that would hear evidence as to the necessities of the people and the problem of the railways, and would judge fairly between us.

Q. Yes, you have that experience; you tried it and you did not get much result.—A. We still feel that if the case is put before the Board of Railway Commissioners, and all the evidence is presented to them, that there is no objection but that with respect to the lines we have indicated there will be a fair judgment, which will be reasonable as between the people tributary to that line and the railway problem.

Q. If I may say so, that is not an answer. There are communities all along this line, such as L'Islet, Montmagny, Bellechasse, and so on. How are you going to take care of them? They have roads in summer, but how about the winter? As I say, we have seven months of winter down there.

—A. Of course, the Témiscouata Railway remains.

Q. That has nothing to do with it at all.—A. The Témiscouata from Rivière du Loup to Edmundston.

Q. I am speaking of L'Islet, Bellechasse, Montmagny, and other places that are not served by the Témiscouata at all. Your suggestion is to abandon the line from Diamond.

Hon. Mr. PARENT: I hope the name "Diamond" is not used any more. Call it Quebec. Quebec may be a jewel, but not necessarily a diamond.

The WITNESS: From the map it looks as if 15 miles would be the maximum distance from Témiscouata to the National Transcontinental, between Témiscouata and Edmundston.

By Hon. Mr. Moraud:

Q. Some of these communities are 25 miles, I think, from the Intercolonial. Before they had the Transcontinental, they just went to the Intercolonial. But now that they have the Transcontinental, how could we possibly abandon it and deprive these communities of the communication that they have had since the Transcontinental was built? I do not think we could do it. I do not think the people would stand for it.—A. Of course, we would have to make our case before the Board of Railway Commissioners, who would have to rule as to whether or not in line abandonment, in the general problem, it would be fair to take away some transportation facilities which had existed, that is, considering the problem as a whole.

By Hon. Mr. Parent:

Q. In the face of Mr. Fairweather's remark that that particular line is a paying proposition, why would you recommend its abandonment?—A. I would examine the line as it exists to-day, Senator, and I am quite free to admit that as of 1937 the conclusion might not be the same as it was under the conditions of 1930.

By Hon. Mr. Moraud:

Q. Would you still recommend the abandonment of those 300 odd miles?—A. No, but I say that under unified management, throughout the whole of Canada, though there might be individual lines such as this one, perhaps which on examination as of 1938 would not be found abandonable, nevertheless in the entire view of the whole country the measure of the savings under line abandonment would reach some 5,000 miles.

By Right Hon. Mr. Meighen:

Q. In that case there they do seem to be very close, but assuming that you found you could not abandon, I do not see how it could be possible to maintain the road for any purpose other than what it is maintained for now. I do not think you could reduce the maintenance charges, because it is really on the main line for through traffic. Is it your idea that you could do that even if you did not abandon in that case?—A. Yes, Senator Meighen. On examination, assuming that this line were to remain, would then be made of the lines as between the ports and, say, Montreal, and we would then make under unified management the best use of what we had available. And I can venture this, that under unified management, considering the savings of \$75,000,000, and the National Transcontinental remaining, we would be able to use it in a program of rerouting traffic, which would result in additional savings by a larger use of the facilities that were available in the unified management in that territory.

[Mr. T. C. Macnabb.]

By Hon. Mr. Parent:

Q. Mr. Macnabb, after your studies of the whole situation, have you come to the conclusion that the province of Quebec has, per capita, the least railway mileage in the whole Dominion?—A. Senator, I have not examined that problem. We will bring you the abandonment mileage by provinces, if we may, and exhibit what that may be. I do not know, because we were dealing with the mileage problem as it existed for the entire Dominion.

By Hon. Mr. McRae:

Q. Mr. Macnabb, at the risk of repeating, I must say I am rather astonished at the figures you give. You say that if you did not abandon a mile of those 5,000 miles, but reduced the services, it would only make a difference of \$7,000,000 in your calculations, is that right?—A. Yes, General. What you have failed to appreciate is that under unified management there could be a routing of traffic, which would so relieve those lines that we propose to abandon as to have remaining to them a minimum of service and enable us to get economies on the other lines where the traffic went.

Q. Well, then, if your figures are correct in that regard, the abandonment of the lines is not so very serious, after all?—A. Quite right, General.

Hon. Mr. CALDER: We have evidence that anywhere from 1,200 to 1,500 miles have been abandoned and the economies resulting run, in one group, around \$600 per mile, and, in the other group, \$800 per mile. That is actually effected.

By Hon. Mr. McRae:

Q. We now have figures that if we did not abandon any of the 5,000 miles, there would be a difference of only about \$7,500,000 in the saving?—A. About 1 per cent, General, would be the difference.

Q. Those figures seem very small to me.

Hon. Mr. CALDER: We had a statement from Mr. Fairweather that if the whole 5,000 miles were abandoned, the saving would be \$5,000,000.

Hon. Mr. McRAE: Abandonment is not such a serious matter, apparently, after all.

The Committee adjourned until 10.45 to-morrow morning.

EXHIBIT 51

Statement by Sir Edward Beatty on savings from unification, to the Royal Commission on Railways and Transportation.

UNIFICATION

A representative Committee of officers has completed a study of the economies possible by unification of the Canadian National and Canadian Pacific systems under private management, to which I referred when I was last before the Commission. Copies of the study have been filed.

Before explaining briefly the factors entering into their computation, I would point out the self-evident fact that maximum economies are only possible through complete unification. The more favourably situated lines, the better facilities and equipment of the two companies would be available to carry out the combined operation in the most efficient manner and at the least expense. There would be none of the conflicting interests which are ever present when each is endeavouring to secure economies by co-operative effort. In every case where the two companies are performing similar services, if either company is more advantageously placed that advantage would be secured for the operation of the unified property. Gradually, duplication in facilities would disappear with resultant decrease in maintenance expense. Duplicate expansion, involving unnecessary competitive expenditures, would be avoided in the future. Supervisory and general expenses would be materially lessened. An important feature, upon which I will enlarge later, is that these advantages can be achieved, I believe, without material detriment in service to the public and with a minimum of disturbance to labour. In certain territories unification would actually permit a freer movement of passengers and freight.

The Committee took as the base for their calculation the year 1930. In this they were conservative, as the expenditures in that year were less than the average for the period 1923-30. They assumed that unification had been completed; the co-ordinating period, which has been set at five years, having elapsed.

The first task of the Committee was to determine what tracks it was considered could be abandoned if the properties were operated as a unified system. Lines which they thought could be eliminated are listed in Exhibit "A," which also shows the proposed method of handling the traffic from these lines. It is possible that in carrying out the program, changes in the details of the lines to be abandoned might be found advisable, but we are confident that unification would permit an abandonment in excess of 5,000 miles.

Amongst the lines which would be dispensed with is the National Transcontinental between Winnipeg and Nakina, and the old Canadian Northern between Long Lac and Ottawa. At present there are three railway lines between Winnipeg and Eastern Canada, one of which is double-tracked continuously between Winnipeg and Fort William, and for short stretches between Fort William and Sudbury, the aggregate mileage of which stretches is 180 miles. Over the latter railway could be handled with ease all the traffic between Fort William and North Bay, and a large proportion of the traffic between Winnipeg and the head of the lakes. One of the other lines is, therefore, superfluous. The National Transcontinental was built at great expense with the avowed object of providing an eastern connection for the Grand Trunk Pacific, and of providing a low grade line for the haulage of grain from Winnipeg to Quebec and other Eastern seaports. Practically no grain now moves all rail from

the West to the East because of water competition and the increase of storage facilities in the East, and the opening of Vancouver export route. In any case, Winnipeg is not the breaking point for grain shipments, as all trading on westward moving grain is done on the basis of Fort William or Port Arthur. Weights and grades. The Drayton-Acworth Commission recognized this condition and the report said "Winnipeg is primarily a collecting and distributing rather than a producing centre. What it does produce goes mainly westward." (Sessional Paper 20g 7 George V, 1917, Page lxvi). If the Canadian Northern tracks between Port Arthur and Long Lac are preserved, the traffic would still move on easy grades from the head of Lake Superior to Quebec and other seaports. The Canadian Northern line between Winnipeg and Port Arthur should be maintained in preference to the National Transcontinental because it serves more important communities and affords a connection with the railway to Duluth. The double-tracked Canadian Pacific line, in conjunction with the Canadian Northern line, can handle all the grain and other traffic between Winnipeg and Lake Superior. The portion of the National Transcontinental preserved will enable it to provide for the necessities of the timber, agricultural and mineral territory in Northern Ontario and Northern Quebec, and with running rights over the Temiskaming and Northern Ontario Railway between Cochrane and North Bay, it will furnish an alternative route for other traffic between the East and the West. Between North Bay and Ottawa all traffic can be easily provided for on the Canadian Pacific. It is also proposed to take up the rails of the National Transcontinental between Diamond and Mundston and between Cyr and Chipman, as the existing and potential rough traffic could be provided for on the Intercolonial and the Canadian Pacific short line, and the local traffic is light. The existence of this route and from the Maritimes has little or no bearing on freight and passenger rates, which are governed by other competitive conditions.

The program also provides for the removal of Canadian Pacific rails between Glen Tay and Whitby, and between Woodstock and Windsor. In those territories the double-tracked line of the Canadian National would be utilized for such local traffic as exists could be provided for without serious inconvenience.

The Canadian Pacific rails between Saskatoon and Unity would be taken up as it is a secondary main line closely parallel to the main line of the Canadian National. Between Kamloops and Hope the Canadian National line would be used and the Canadian Pacific eliminated. Although older, and of first class permanent character, the latter is less favorably situated in the matter of gradients. From Hope to Vancouver the Canadian Pacific route would be preserved, advantage being taken of the double-track mileage between Ruby Creek and Vancouver, and of the coast terminals of that company.

The other changes, although numerous and involving in the aggregate considerable mileage, affect only branch lines which parallel others, or on which traffic is unprofitably light.

The passenger train services of the two companies in 1930 were next carefully reviewed. A detailed calculation was made of the reduction in train and mileage which could be achieved without detriment to the public service. This reduction would be brought about by the consolidation of lightly loaded trains now operated between the larger centres of population and in transcontinental service and by the re-routing of trains over the shorter or more economical route. There would be a saving of 7,500,000 train miles, or 16.2 per cent, and in excess of 51,000,000 car miles, or 14.9 per cent.

Unification of the two systems would result in the re-routing of freight traffic between many points with resulting economy. Wherever there are alternate routes, the most favorable could be used. Merchandise traffic is handled between large centres on scheduled trains. These must run on schedule irrespective

of traffic offering. Unification would permit a consolidation of these services. There would be a reduction in number of cars required to handle less-than-carload freight between the same large centres. There would be a saving in switch expense, and, in many cases, in train mileage because of consolidation of traffic in fewer cars.

The effect of all these factors was carefully computed. The saving is estimated at 5,300,000 train miles, or 9.2 per cent, and 67,000,000 freight car miles, or 3.3 per cent.

In addition there would be further reductions in mileage which have not been computed. In many of the alternate routes examined, the costs appear approximately equal and no saving in mileage was included. As one of the routes must, in practically every case, be more favourable than the other, further examination of such routes undoubtedly would increase the total mileage to be saved. Unification would permit a redistribution of locomotives to advantage, ensuring larger average daily mileage for the most efficient units. Handling the combined traffic over the favourable route, because of the greater volume, would result in a decrease in unit costs of operation. These further savings cannot be calculated in dollars and cents in the time available.

To determine what would be done under unification at each terminal would require a detailed study of the physical conditions and traffic of both properties at each point in relation to the surrounding territory. Exhibit "D" contains a list of the terminals where material reductions in expenses will be possible. The concentration of similar work in certain yards, the movement of traffic through terminals by the most economical route, the elimination of interchange requirements, and the reduction in switching because of fewer trains and cars to be handled will mean a reduction in yard switching expense. Consolidation of freight and passenger services in the sheds and stations of one company, the other will be a convenience to the public and will result in economies to the public beyond the saving in railway expenses. The situation at these terminals has been examined in a preliminary way and a conservative estimate of the savings which will accrue was determined. Unification will result in avoiding the replacement and enlargement of many facilities which, if the railways continue to be operated separately, will involve heavy expenditures for both road and indeed will permit the abandonment of some existing facilities with resultant saving in maintenance expense which has not been computed.

A list of the main locomotive and car repair shops of both companies is given in Exhibit "E." Unification will result in the use of the most efficient shops to handle the work of the combined systems. Similar work would be concentrated, as far as possible, in one or more shops, thus reducing the unit cost of repairs. The most efficient machinery of the two companies would be available for the combined repairs.

The expenditure for supervision will be materially decreased. There is no duplicating supervisory offices in many centres. A great part of supervisory officers' time is occupied in travelling. The time so occupied in the course of their duties will be lessened by the concentration of their work in more compact territory. They will be able to more effectively handle greater mileage and stay closer to their headquarters and to other points under their jurisdiction. The number of offices will be decreased with a saving in clerical expense. The number required to take care of the property after unification has been calculated and is shown in Exhibit "F."

Unification would have its effect on railway operating revenues. This has been set out in Exhibit "G." There would be a gain to the unified companies in gross revenues by securing a longer haul over the combined system for international, interstate and Great Lakes traffic. Naturally these changes would be affected by relations with other carriers concerned on account of traffic interchange. In time, however, there would undoubtedly be an increase

venues in this way. On the other hand, there would be a loss in gross revenues through adjustment of rates brought about by use of shorter mileage and change of terminal arrangements, and through traffic lost to other transportation agencies on account of abandonment of track. The loss to the railways in adjustment of rates would be a direct gain to the public in a reduction of their transportation charges. This is one of the ways in which the benefits of the unification could directly accrue to users of the railway.

Having determined the major reductions possible in track, train and car mileage, and examined the possibilities for economies in terminals, shops and in supervision, which have been discussed under Exhibits "A" to "F," the committee carried these reductions through the general accounts under which railway expenditures are classified. Page 1 of Exhibit "H" is a summary of the total reductions in operating expenses, amounting to \$64,267,000.

The net savings in the first account, Maintenance of Way and Structures, amounts to \$14,888,000. The cost of maintenance for the unified properties, comparative with the separately operated properties, was determined by applying Canadian Pacific unit costs of 1930 under the various accounts on a track mileage basis to the reduced mileage. Our engineers are satisfied that the condition of the two properties is such as to make this proper. In the accounts which would be affected, allowance was made for the difference between double and single track and between main line and branch lines. The major part of the saving is through the abandonment of the 5,000 miles of track; there is also some saving through the application of the Canadian Pacific unit costs, particularly in Superintendence. As is pointed out on Page 2, there are substantial savings which were not determined or included.

The net saving in Maintenance of Equipment amounts to \$14,360,000. The cost of maintenance for the unified properties was determined by applying Canadian Pacific unit repair costs to the locomotive and car mileages of the unified system. This method takes into account the reduction in train and car mileage, as well as unit costs. Our mechanical officers consider we would not only be able to equal our unit repair costs for the unified system, but, in the case of locomotive and freight car repairs, would be able to achieve a 5 per cent reduction through a higher percentage of modern equipment being in service, and through concentrating repair work on a production basis at the most efficient shops. There would be substantial savings in Superintendence. No saving was calculated for retirement charges or for the savings to be secured in the purchase of materials and handling of stores.

The reduction in Traffic Expenses was computed as \$5,775,000. Elimination of competition would enable a complete consolidation of the activities of the traffic department throughout the world. In Canada, to a large extent, and elsewhere, to a more limited extent, the activities of the traffic departments of the two railways are directed one against the other. With a materially reduced expense, a combined traffic department could adequately serve the public and bend its energies to meeting the competition of other transportation agencies. There would be a saving in advertising and miscellaneous expenditures.

The largest item in the saving is that of Transportation-Rail Line, amounting to \$23,994,000. This consists of \$1,290,000 in Superintendence, which has been computed in the same manner as Superintendence in other general accounts. As to track abandonment and the consolidation of divisions, it is estimated that there would be a reduction of 20% in the train despatching expense. The savings in station and in yard service have been computed at \$3,470,000 and \$44,000 respectively. These savings were calculated by a detailed examination of expenditures at the places shown in Exhibit "D". They reflect the reductions in track mileage, and, to a limited extent, the reductions in train and car mileage. Unification would enable very large savings to be made in the expenditures chargeable to these accounts, which include the handling of less-

than-carload freight in freight sheds and of switching of cars at terminals. The full possibilities of the saving which could be achieved in these services is hard to visualize. The railways operated separately are continually finding means of reducing their own expenditures. It would take years to find and put into effect all the economies which will be possible for the unified properties. The largest item in Transportation is a saving of \$13,215,000 in train service reflecting the decreased passenger and freight train mileage. The unit cost used, in the main, were those of the combined system so as to give effect to the different operating conditions on the two roads. The saving in fuel cost was based upon the reduction in train 2nd car mileage, (corrected May 1938). An allowance has been made for the benefit to be derived from the use of the most efficient locomotives, the purchase of coal in larger quantities from the most favorable sources and improved operating practices which would be made possible by unification. The saving of \$1,521,000 in Other Expenses includes a reduction in sleeping car expense due to a reduction in mileage, a reduction in signal and interlocker expense and in miscellaneous items.

The small reduction shown in Transportation-Water Line, is through the unification of services on the Okanagan Lakes.

The net saving in General Expenses amounts to \$4,289,000. The cost of administration and accounting for the unified properties was determined by applying Canadian Pacific costs to the mileage of the unified system and deducting 20% on account of unification.

The reduction of \$918,249 for Dining and Buffet Service was brought about by estimated decrease in dining car mileage required for the reduced passenger train service.

Turning back to the figures shown on the right hand side of the summary it will be found that the first two items are the totals of Exhibits "G" and "H" which I have just described.

Miscellaneous Income Items, \$211,090, consist of a gain of \$50,000 in Hire of Equipment, through the quicker return of foreign cars to United States connections, made possible by the opening up of interchange points for both railways which are now available to only one or the other, the unification of stockyards and abattoirs at Montreal and the saving from abandoning the 3 miles of the Lake Erie & Northern tracks shown in Exhibit "A".

The item, British Columbia Coast Steamers, is the saving which would be made through the consolidation of the coast services of the two companies.

Exhibits "I" and "J" show the savings in Telegraph and Express Service. Unification of the two railways will permit greater economies than would be possible through the consolidation of these services without such unification due to abandonment of line and reduction of passenger train services.

A saving of \$300,000 has been estimated for Colonization, Development and Insurance due to consolidation of offices.

A unified system would require smaller stocks of material than the two roads operated separately. The money realized from the material released and from the material salvaged from abandoned tracks could be otherwise employed. The saving, computing interest at 5 per cent, has been estimated as \$1,700,000 per annum.

Due to the consolidation of traffic, fewer cars will be necessary and the reduction in train mileage will be reflected in a saving in number of locomotives required. There would, therefore, be a reduction in investment in equipment as compared with the probable future requirements of the two systems operated separately. There has been included in the saving an item of \$4,650,000, representing interest at 5 per cent per annum on the reduction in investment.

The abandonment of railway mileage will involve, in some instances, the removal or demolition of industrial plants, grain elevators and other warehouses and their re-erection on new sites. No proportion of the cost of such change

included in the study, but the incidental items of saving to which I have referred as not having been reduced, or as not being reducible to figures will, it is estimated, more than counterbalance any such incidental items of expense.

Account must be taken also of the saving in future capital expenditures. In providing for the normal growth of traffic and changes in its character, the extension of one plant would obviously cost much less than the extension of another. This consideration would apply throughout the entire scheme of additions and betterments necessary to adapt the system from time to time to the use of new machinery and methods. I regard this as a most important element in consolidation, as one involving a very large item of saving.

From the care taken in the calculation, I feel sure that close scrutiny will show that the total saving of \$75,000,000 is conservative. Our officers will be glad to explain in detail the method followed and give particulars of the calculations when required.

It may be of interest to know that the basis of our computations was examined by the railway officer responsible for the study of economies which accompanied the application to the Interstate Commerce Commission by the Great Northern Railway and the Northern Pacific Railroad for authority to consolidate those properties. In his opinion the calculations were made on the right lines and his conclusion was that if consolidation was completed, the actual savings would in all probability considerably exceed our estimate.

I have said that a period of five years must elapse before a complete consolidation of the properties can be effected. In the meantime the employees displaced by the gradual fulfillment of the program can, to a considerable extent, be absorbed through the normal growth of traffic (taking into account the fact that the volume is now sub-normal) and by the normal turnover through retirement and withdrawal. A detailed study covering the years 1925 and 1926 was made in connection with the proposed amalgamation of the Great Northern and Northern Pacific and it disclosed a labour turnover of 6 per cent per annum on these railways. If this turnover on Canadian railways amounted to only 4 per cent per annum during the five-year period, it would more than provide for the number of employees affected, without allowance for any improvement in traffic conditions. There would be individual cases which could not be so disposed of, and these would have to be met by some form of compensation adequate to the circumstances.

Submitted to Royal Commission, February 19, 1932.

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 13

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Mr. T. C. Macnabb, General Superintendent, New Brunswick District,
C. P. Ry.
Mr. R. G. McNeillie, Passenger Traffic Manager, C. P. Ry.

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, May 25, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.45 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

T. C. MACNABB (examination resumed).

The CHAIRMAN (Right Hon. Mr. Graham): Are you ready, gentlemen?

Hon. Mr. DANDURAND: Mr. Chairman, if you will look at Exhibit No. 50, page 427 of our proceedings, you will find a list of lines representing 5,501 miles that are suggested as capable of being abandoned. Shall we ask Mr. Macnabb to justify the possibility of abandoning that mileage, dealing with each of the thirty-three lines in turn? It was suggested by Senator Calder that we might limit ourselves to the larger lines. That is the question I should like the committee to settle.

The CHAIRMAN (Right Hon. Mr. Graham): What do you say, gentlemen? Are you decided to take the larger ones?

Hon. Mr. BLACK: It would take a great deal of time to go over all the lines, I suppose.

The CHAIRMAN (Right Hon. Mr. Graham): I should think so.

Hon. Mr. PARENT: It will depend on the knowledge of the witness.

Hon. Mr. DANDURAND: Of course, he would have to tell us the industrial situation along those lines, what he thinks is feasible, and what, under the terms of the Railway Board, can be abandoned.

Hon. Mr. BLACK: I should like to have the full list, Mr. Chairman, providing we can get along without too many questions from the members of the committee.

Hon. Mr. HORSEY: We might deal first with the larger ones, and then if anybody wants to hear about the smaller lines we could deal with them.

The CHAIRMAN (Right Hon. Mr. Graham): Perhaps some of the smaller lines might have a greater density of traffic than some of the larger ones, which were built as experiments and have length without much breadth. What do you think? Shall we take them all until we decide to stop?

Hon. Mr. ROBINSON: You will never get through if you go into everything that way.

Hon. Mr. BLACK: Suppose we go on, Mr. Chairman, until the Chair decides that we shall stop?

The CHAIRMAN (Right Hon. Mr. Graham): Suppose we deal with them in a general way, and then we can ask more detailed questions, if necessary.

The CHAIRMAN (Hon. Mr. Beaubien): Mr. Macnabb, I made a suggestion that we could shorten the examination if we took a certain proportion of the 5,000 miles upon which both railways agreed in 1932.

The WITNESS: 2,098 miles, 40 per cent.

By the Chairman (Hon. Mr. Beaubien):

Q. Do you think, Mr. Macnabb, you could point those out first of all to the committee? Then we could concentrate on the balance, and if we find that there is too great a divergence of opinion between the two railways, we could leave that portion aside altogether. After all, it only represents a small portion of the economy you have in view. Is not that true?—A. Yes, Mr. Chairman. Forty per cent is agreed upon of the 5,000 miles we proposed. It leaves of the estimate some \$4,000,000 unaccounted for out of the \$75,000,000.

Q. If we can show an economy to the extent of \$70,000,000, I think we shall have done fairly well.

Some Hon. MEMBERS: Hear, hear.

Hon. Mr. DANDURAND: The 2,000 miles you speak of have not been agreed upon as capable of being lifted, but of being studied.

The CHAIRMAN (Hon. Mr. Beaubien): I am sorry. My colleague informed me there was a motion before the committee. I withdraw my proposition. I will renew it after the motion now under consideration has been disposed of.

Hon. Mr. MURDOCK: A little over-anxious.

The CHAIRMAN (Hon. Mr. Beaubien): I am sorry. Am I not like you sometimes?

Hon. Mr. MURDOCK: Yes. If we took Nos. 5, 7, 24, 26, 39, 41 and 44, some of these proposed abandonments, we would have the important ones, I think.

The CHAIRMAN (Hon. Mr. Beaubien): Are those the ones agreed upon?

Hon. Mr. MURDOCK: Both railroads have not agreed upon those, but they are in the list which, I understand, has been submitted by Mr. Macnabb.

Hon. Mr. ROBINSON: Mr. Chairman, I should like to know about the lines that are agreed upon between the two railways.

The CHAIRMAN (Hon. Mr. Beaubien): That is my proposition. Let us begin with 1932, for instance.

The CHAIRMAN (Right Hon. Mr. Graham): Agreed upon for what?

Hon. Mr. ROBINSON: Abandonment.

The CHAIRMAN (Right Hon. Mr. Graham): It may be agreed upon to study or to abandon.

Hon. Mr. HAIG: Mr. Chairman, if I understood Mr. Macnabb yesterday he said they had suggested 5,000 miles which they considered capable of abandonment, and that the C.N.R. suggested 2,400 miles.

The CHAIRMAN (Right Hon. Mr. Graham): Of that 5,000?

Hon. Mr. HAIG: No; 2,400 by itself. He added that 1,900 miles were included in both plans.

The WITNESS: 2,098 were common to both, Senator.

Hon. Mr. HAIG: I suggest that we take the 2,100 miles common to both of them and get that out of the way. Then the C.N.R. suggested some 1,900 miles of thin lines that might be considered, and the C.P.R. suggested 4,000 miles for consideration. Let us get the 2,100 miles first and see whether they agree.

Hon. Mr. COPP: I did not understand that there was any agreement regarding to that. I understood it was agreement as to study.

[Mr. T. C. Macnabb.]

Hon. Mr. CALDER: If I may be permitted. We have already considered detail every one of those lines of the 2,100 miles. We had Mr. Fairweather's evidence in the case of every line. Then he was followed by Mr. Armstrong, and when Mr. Armstrong got half-way through we decided there was no use taking further evidence on that point, and Mr. Armstrong did not continue detailed discussion. Am I not right, Mr. Armstrong, that you were stopped because we did not consider it necessary? And he made a further statement myself, when I inquired, to the effect that he practically agreed with the conclusions reached by Mr. Fairweather, according to his evidence, as to the possibilities of abandonment of that whole section. So I think we have already done all we can in that phase of the situation.

Hon. Mr. HAIG: You have missed the point I am making. Honestly, you have. We discussed the ones that the ordinary committees, together, negotiated. I want something more than that. I want Mr. Macnabb to take his inter, and say, "From Winnipeg to Regina we both recommended certain abandonments."

Hon. Mr. CALDER: That is what we dealt with.

Hon. Mr. HAIG: We only dealt with them separately. I asked about the one from Portage la Prairie to Moseley, Saskatchewan.

Hon. Mr. CALDER: We had the information of both the gentlemen.

The CHAIRMAN (Right Hon. Mr. Graham): Our counsel has before him the way in which, he says, he can make it clear.

Mr. BIGGAR: This is the position as far as it appears from the proceedings. In the proposal with regard to economies that were derivable from consolidation made by Mr. Fairweather to the Duff Commission, which is printed as Exhibit 42, beginning at page 474, there was included as Exhibit 10, which is printed at page 500, a list of what are described in the heading as "Lines proposed to be abandoned," and the total mileage of those lines, of which there are some fifty, is 2,434, as appears in the last column but two on page 501. That was said in the main body of the report on the subject of that list is to be found at page 478, toward the bottom of the page. There it is said:

The abandonment of duplicating lines constitutes one of the major economies possible as a result of consolidation. Occasion may also be taken for the abandonment of thin traffic lines with a view to further increasing the average traffic density of the system. The line abandonments contemplated in this study are shown in detail on Exhibit 10. They are comprised as follows:—

	Miles
Duplicating Main Line.. . . .	1,115
Duplicating Branch Lines.. . . .	1,035
Thin Traffic Lines.. . . .	284
Total.. . . .	2,434

and in Mr. Fairweather's evidence, at pages 312 and following, he read to the committee a comment that he and Mr. Gzowski had made in writing on the 1st of April, 1932, to the Duff Commission with regard to his own and the P.R. abandonment proposals, and in that, at page 313, the middle of the page, the following appears:—

An analysis of the Canadian Pacific program indicates that the main differences between it and the Canadian National program in our judgment arise out of the violation by the Canadian Pacific of one or more of these fundamental premises, which in our opinion constitute the only possible justification for abandonment. This violation may have arisen from lack of information, from inadequate treatment of the data or from a rejection by the Canadian Pacific Railway of the premises.

A comparison of the two programs is as follows:—

	C.P.R.	C.N.R.
Total mileage of programs	5,051	2,434
Mileage common to both programs . . .	2,098	2,098

And then he goes on to add some further comments, so that the position with regard to the 2,098 miles—

The CHAIRMAN (Right Hon. Mr. Graham): Now, let us get it clear. Do that mean the two lines have agreed—

Mr. BIGGAR: No.

The CHAIRMAN (Right Hon. Mr. Graham): —on the abandonment of 2,000 miles?

Mr. BIGGAR: Not at all.

The CHAIRMAN (Right Hon. Mr. Graham): Or the study?

Mr. BIGGAR: Neither.

The CHAIRMAN (Right Hon. Mr. Graham): What does this mean, then?

Mr. BIGGAR: It means that the Duff Commission invited both railways to submit an estimate of the economies they, respectively and independently, thought could be effected by unification or consolidation. In the submission of each of them made independently on the basis of consolidation or unification, they each included a proposal with regard to the abandonment of lines assuming that the railways were consolidated or unified. The one said, "We can abandon 5,051 miles on the basis of unification," and the other said, "We can abandon 2,434." And of those two lists of possible abandonments there were in the respective and independent judgments 2,098 miles common to both programs.

The CHAIRMAN (Right Hon. Mr. Graham): Then, as a matter of fact, they did not agree on anything.

Mr. BIGGAR: They did not agree on anything.

HON. MR. CALDER: What portion of that have we considered in detail?

Mr. BIGGAR: I think almost none.

HON. MR. CALDER: What was all Mr. Fairweather's evidence about?

Mr. BIGGAR: It was directed really to co-operation.

HON. MR. CALDER: But then the lines that were dealt with under co-operation were included in the 2,100 miles of the 5,050 miles.

Mr. BIGGAR: That is perfectly true, but the total, you see, that has been dealt with on the basis of abandonment under co-operation—it is in Exhibit 29, and I can give the exact mileage; no, it is not there exactly, but perhaps Mr. Armstrong can give me that figure. I cannot add it up. Mr. Armstrong, do you remember how much the co-operative abandoned mileage, that is to say, abandoned with joint use of the remaining line, amounted to?

Mr. ARMSTRONG: If I may answer, approved and effective under co-operation studies, the total is 748 miles.

Mr. BIGGAR: And my recollection is that some 500 miles of that was part of the 2,098 miles—about a quarter.

By Hon. Mr. Dandurand:

Q. Does that comprise, Mr. Macnabb, the lines that are being studied, on which there seems to be an agreement between the two roads as to reaching a favourable conclusion, because there is a lot of work that is going on on lines that have not yet been decided upon but where there seems to be no disagreement between the two railways?—A. It is true that we are still working on lines under co-operation to see if they may be abandoned by agreement; but there has already been in this list submitted to us—and I have the numbers here—certain

[Mr. T. C. Macnabb.]

lines which have by agreement been approved for abandonment, and some actually abandoned, and the sum of that is 748 miles. No. 1, for instance, is one in case.

By Hon. Mr. Calder:

Q. Those have actually been abandoned?—A. Both abandoned or approved for abandonment.

Q. Could you give the mileage that you have under study that has been carried so far?—A. No, I could not give you that. I have not the figures before me, but there is a large mileage.

Q. Could you give the approximate mileage?—A. There is actively under study by the Co-operative Committees something over 1,000 miles, in addition to these 748 miles.

Hon. Mr. CALDER: I am only trying to avoid a duplication of evidence, which in my opinion is not necessary. Is Mr. Fairweather here? Mr. Fairweather, you went over a long list of possible abandonments in detail. There must have been about 30 or 40. You remember that?

Mr. FAIRWEATHER: Yes, sir.

Hon. Mr. CALDER: Do you remember what the total mileage of that list was?

Mr. FAIRWEATHER: I could not say offhand.

Hon. Mr. CALDER: My recollection is that it was 2,000 miles.

Mr. FAIRWEATHER: In combination, the lines which had been studied and rejected as showing no economies, and the lines which had been studied and reported for abandonment, and the lines still under study, comprise considerably in excess of 2,000 miles.

Hon. Mr. CALDER: That is my recollection. Now, Mr. Armstrong, you followed, and were dealing with the same subject, and you took it in detail. You started in on the same list, if I remember correctly, and took up the same study to a certain point when the committee said that is sufficient.

Mr. ARMSTRONG: Yes, sir.

Hon. Mr. CALDER: It is the same list?

Mr. ARMSTRONG: Senator, at the time I was speaking from the viewpoint of co-operation. Now, all the lines that have been considered or are under consideration or are to be considered under co-operation are included in the unification mileages, not necessarily to exactly the same extent. Unification mileage frequently exceeds the co-operative mileage possible for abandonment, but, generally speaking, the same general lines considered under unification are also included under co-operation. I went as far as the Committee wanted me to go.

Hon. Mr. CALDER: What I am trying to avoid is going over the same evidence once more. If any lines have not been discussed before the Committee, then I think we might deal with them; or if there is any particular line that any member of the Committee wishes to discuss, all right.

What I should like Mr. Macnabb to do is to take a pointer and show us on the map, starting at the extreme east and working west, what lines were recommended for abandonment by both. He could tell us why he thinks the line, in each case, should be abandoned. We would then have his statement as to why he suggests abandonment of the same lines as the Canadian National suggests. That would give us a picture of the thing.

Hon. Mr. MURDOCK: Last night we discussed 5 and 7, starting at the east end.

Hon. Mr. HAIG: But that was with reference to his own lines, out of the 2,000. I want the lines that both companies recommended for abandonment before the Duff Commission. After we see why Mr. Macnabb suggested these

abandonments, we could get a statement from the Canadian National officials as to why they suggested the same abandonments.

The CHAIRMAN (Right Hon. Mr. Graham): Suppose we ask Colonel Biggar to proceed and try to get the information in his way. He sees what we want.

Mr. BIGGAR: With the approval of the committee, I would suggest that we first ascertain exactly what kind of information underlay this estimate. I imagine that what the committee is really concerned with at the moment is how dependable this estimate of \$75,000,000 is.

Hon. Mr. MURDOCK: That is it.

Mr. BIGGAR: And the only particular relevance of the estimate with regard to abandonments lies in the question: is this proposal of 5,000 miles for abandonments so completely out of line that it casts a cloud over the whole estimate of \$75,000,000?

Hon. Mr. DANDURAND: That is a feature that will have to be taken into consideration.

Mr. BIGGAR: Yes. I take it that the committee is really not concerned with the question of whether this or that line should be abandoned or not, but rather with the question of how far this estimate of \$75,000,000 savings is affected by the inclusion of some lines.

The CHAIRMAN (Hon. Mr. Beaubien): Colonel Biggar, you are quite right. Following along that line, if you have on one side the mileage suggested for abandonment by one railway, and, secondly, by the other railway, why not just take out what they agree on?

Hon. Mr. ROBINSON: I would suggest that we allow Colonel Biggar to proceed. We are arguing and getting nowhere. After he brings out some points, we can ask any questions we wish.

Hon. Mr. MURDOCK: Hear, hear.

By Mr. Biggar:

Q. Mr. Macnabb, would you in the first place make clear to the committee when the information upon which these proposals for abandonment was collected?

—A. The information concerning line abandonments submitted by the Canadian Pacific was not collected specifically at the moment that the estimate was made, but was the result of years of intimate knowledge of the location, construction, maintenance and operation of those lines, by the men who made the estimate itself. That would be, in terms of years, prior to 1932—specifically, in my own case, from, say, 1924 to 1930 or 1932.

Q. That was really with respect to the western lines?—A. In my own individual case.

Q. So that so far as you can speak, it is with regard to western lines?—A. More particularly.

Q. And based upon your knowledge of western lines acquired between 1926 and 1930?—A. No, very much farther back than that—from, say, 1900.

Q. But I mean particularly in those years, but in addition to your previous experience?—A. Yes.

Q. Sir Edward Beatty told us yesterday that the request for this estimate came early in January of 1932, and that the report was completed in February, 1932?—A. Yes, sir.

Q. So you applied during that month information that you previously had?—A. Yes, sir.

Q. Will you tell the committee, so far as the lines with which you are particularly familiar are concerned, what kind of information you had on which to base your recommendations?—A. All of the relevant information concerning not only the character, location and construction of lines concerned, but of the country and the industries that were tributary thereto.

[Mr. T. C. Macnabb.]

Q. That information, then, so far as industries tributary were concerned, would be at least two years old at that time?—A. No, sir. The information was only up to date in 1932, because we came immediately from the vicinity of those lines to make the estimate.

Q. I thought you said that 1930 was the date?—A. We were considering abandonment and the traffic level under conditions of 1930.

Q. When you spoke of a survey of 1930 last night, you meant a survey of 1930, made in 1932?—A. Yes, sir.

Q. I think, perhaps, we might refer to one particular abandonment, say abandonment from Prince Rupert to Redpath Junction, 677 miles. Now, that information did you have with regard to population and area and wealth of the section, and so on?—A. I know of no abandonment such as you describe that was proposed by the Canadian Pacific.

Q. Well, it was part of that, was it not?—A. No.

Q. Then I have the wrong list. I am sorry. I was looking at another memorandum.

Hon. Mr. ROBINSON: That was suggested somewhere.

Hon. Mr. CALDER: Take the line west of Hope.

By Mr. Biggar:

Q. Yes, take the line west of Hope, that is No. 79, page 431 of the proceedings, from Kamloops to Petain, 163 miles. Can you tell me what you had the way of information about that?—A. Is it the desire of the committee to rely upon what knowledge it was based?

Q. That is the kind of thing.—A. Well, at the time the surveys were being made by what was then the Canadian Northern Pacific Railway, I had gone on from Kamloops to Vancouver over the then surveys, and subsequently came and made a journey over that railroad as it was being constructed, being interested in the progress of the tunnels and the rock work, and so on. And frequently, when it was finished, and from time to time, I had ridden over it between Kamloops and Vancouver, noting what service was on the then Canadian Northern Pacific. Later when we were considering the possibility of abandonment of the duplicate lines between Kamloops and Vancouver, this particular line between Kamloops and Hope was studied, and it was considered that it was fair to include it as a line that on an estimate would be one that could be abandoned. I may say that the line is still under consideration by the Co-operative Committee. There have been also joint reports made upon it by the acting officers of the Canadian National and the Canadian Pacific. The western vice-presidents have reported, on consideration as of 1938, that the abandonment be deferred until a more favourable time.

Q. It was pointed out in 1932, with regard to that, that if the abandonment were carried out the freight and passenger traffic during the peak months of the year could not be carried on the remaining single track line?—A. That, of course, is a matter that would be in the judgment of the Vice-Presidents of the lines. It is pertinent to point out that it was the Canadian Pacific line that was proposed for abandonment.

Q. But what information did you have at the time of this estimate with regard to the possibility of carrying the freight and passenger traffic during the peak months of the year on the single track line between Kamloops and Hope?—A. We knew from our observation the amount of traffic that was going over the Canadian National, and we had the precise figures as to what ourselves were handling; that was before us.

Q. So you were satisfied there was no difficulty in that respect?—A. Yes,

Q. Did you consider at that time the risk of interruption?—A. Yes, sir. We knew that, roughly speaking, the interruption hazard was larger by some three times on the Canadian National line than it was on the Canadian Pacific line.

Q. But I meant the interruption of traffic altogether provided only one line was used.—A. Yes, sir, we did.

Q. And you evaluated that and came to the conclusion that it might be disregarded?—A. Because no matter what rearrangement of lines might be made in that territory, there are inevitable interruptions which include all lines.

Q. But I say you thought the risk was not such that it stood in the way of the adoption of the proposal for abandonment?—A. Yes.

By Hon. Mr. Hugessen:

Q. You mean if one line was interrupted the other would be too?—A. The difference is that one as a matter of record had been interrupted, about three times as much as the other by rock slides, snow slides and mud slides.

By Hon. Mr. Black:

Q. But the grade on one is better than that on the other?—A. The Canadian National had the better grade.

By Hon. Mr. Robinson:

Q. Would interruptions get fewer and fewer on the newer line as traffic goes on?—A. Except where physical conditions are such that there cannot be any permanent protection erected.

By Hon. Mr. Hugessen:

Q. Since 1932 have there been greater amounts of grain going to the Pacific?—A. From my knowledge of that country, and I was Division Superintendent on the Canadian Pacific from Kamloops easterly, I think the maximum traffic was in 1928-29, more than has since gone over that line.

Q. Or is likely to in future?—A. Yes.

By Mr. Biggar:

Q. In regard to this generally, did you have an estimate of the re-routed traffic and of the traffic that would go by other transportation facilities, and so on, with regard not only to that but to other proposed abandonments?—A. Yes, Mr. Biggar. We did have before us our own traffic and a fair estimate of the National traffic. We set out in our estimate the method of handling the traffic from the abandoned lines, and when it went to another line we considered the capacity of the remaining line to make sure that the remaining line would without embarrassment handle the remaining traffic adequately.

Q. In that respect what about 44, which is one of those to which Mr. Murdoch referred?

Hon. Mr. ROBINSON: Before leaving this, Mr. Biggar, I was going to ask whether the proposed abandonment of this line after a further study is more doubtful to-day than it was when he made this study. I see they decided not to consider it further. Is it a doubtful abandonment now?

Mr. BIGGAR: I did not ask Mr. Macnabb that because he told us last night he had no information subsequent to 1932.

Hon. Mr. ROBINSON: I beg your pardon. I just wondered whether they were revising the situation or not.

Mr. BIGGAR: Exactly.

[Mr. T. C. Macnabb.]

By Hon. Mr. Calder:

Q. Mr. Macnabb, when you made your list of 5,051 miles, did you take into consideration the fact that the Board of Railway Commissioners might not allow part of that 5,051 miles?—A. At the time that this estimate was made the Canadian National-Canadian Pacific Act had placed no restrictions upon abandonment, and we felt that the case in every instance was such that having regard to the convenience of the public and the handling of the industry, it would be rational to make the case.

Q. That was your opinion at that time. But now the situation is such that although you made an estimate of 5,050 miles, the Board of Railway Commissioners might only grant 4,000 miles?—A. That, sir, is a possibility, but so far I think there has been no case of duplication brought before the board for abandonment that has not been granted. So far as individual lines are concerned, there have been some refusals. Our judgment was, and it still is, that, even an exhaustive presentation of the evidence of the case for abandonment and putting that before the board, there will be substantial agreement with the program that we put up.

By Mr. Biggar:

Q. I was going to ask you about that Conmee-Superior Junction line, which is No. 44 in the list. What about the routing there; did you have figures in regard to that?

By Hon. Mr. Dandurand:

Q. Will you explain how 44 is to be divided? There is Conmee-Superior Junction and Nakina-Paddington. We do not know which is which.

Hon. Mr. MURDOCK: It is Fort William to Winnipeg via Superior Junction.

Hon. Mr. ROBINSON: What is the mileage of this part?

Mr. BIGGAR: 158 miles, Senator.

By Mr. Biggar:

Q. What information did you have about that?—A. As of 1930 we knew the condition of the line and had some knowledge of the traffic that came off it, because, you see, Conmee is directly under our observation, of our own line.

Q. Yes.—A. We had that before us. We knew that there were three routes between Winnipeg and the head of the lakes, this being a link in one of them. We knew from observation, having gone over it carefully before, that there was a great development tributary to that line, and on that information we based our judgment. Admittedly, it was not as precise a valuation of the traffic and industries that are in existence as has been subsequently made under co-operative investigations.

By Hon. Mr. Buchanan:

Q. Does much grain move from the West over this line as compared with the other Canadian National line from Winnipeg through Fort Frances?—A. I cannot answer that, sir.

Q. Is it largely a grain moving branch line from Superior Junction to Conmee?—A. I would think that would be the line that would be used, but I have no figures on it.

Q. But apart from moving grain, is it a line that produces any business?—A. Substantially, it is a route for grain products from Winnipeg to Fort William. The arrangement was to build the Superior Junction branch precisely to handle that business.

By Mr. Biggar:

Q. You had nothing before you with regard to the actual returns of the Canadian National in respect of that line, I suppose, had you?—A. Certainly not, sir. May I say that we were engaged in making an estimate not of whether the line from Conmee to Superior Junction in itself would be abandoned, but we were asked to exhibit to the Duff Commission a measure of the probable line abandonments that would be obtained under unified management in Canada where undoubtedly there was a certain mileage, not only duplicated but the traffic lines as well. So we took our available information and made that estimate. As I said before, it may not be that any individual line, on closer examination can be included for abandonment. We have since found that some were not to be abandoned, and we have discovered under co-operative examination that there are other lines that are not in this list that could be abandoned.

Q. You are speaking as knowing this simply as an officer of the Canadian Pacific, not as an individual?—A. I was for two years on the co-operative committee and can speak of that from direct knowledge.

Q. I see. Now go on to the Transcona-Nakina run, which is 496 miles.—A. This is substantially in the same position, sir, as the examination of which I spoke. As of 1930 the line was there, not needed for through traffic and with little local traffic available.

Q. Are you putting that quite right? You were making this estimate in 1932?—A. Yes.

Q. But the only difference between 1932 and 1930 was that there had been a drop in traffic?—A. Yes.

Q. So when you speak of doing it as of 1930, the case for doing it would have been stronger only if it was as of 1932?—A. We tried to tie it to the 1930 level of traffic, sir. You are quite right as to 1932 traffic levels being lower than in 1930.

Q. But did you try to find out whether there had been a change in the other way in some particular lines between 1930 and 1932? Generally, of course, the traffic had fallen.—A. We took, sir, the existing conditions of 1930 and tried to envisage how much higher they would be as of 1930.

Q. I see. So you were adding something to the possibilities as of 1932?—A. Yes, sir.

By Hon. Mr. Murdock:

Q. Mr. Macnabb, yesterday you spoke about Hudson, and indicated that the traffic into the Red Lake mining area went by air and could be accommodated by air from Kenora if this line were abandoned. Would you be surprised to know that I have a statement indicating that the possible tonnage dispatched out of Hudson by air last year was 2,404 tons, by tractor train 5,898 tons, and by the water route from Hudson to Red Lake, 16,789 tons, or a total of 25,091 tons, presumably coming into Hudson on the Transcontinental Railway and going out by air, tractor, train or water. In 1936 it was 20,665 tons, and in 1935, 12,789 tons, which would indicate that business into Hudson for the mining region of Red Lake is improving.—A. I had some knowledge of what was happening in Red Lake, as I had engineers engaged in the work of locating a possible railroad into that district. And as of 1930 we knew that the traffic could be handled by the remaining line without inconvenience if the National Transcontinental did not function.

Q. Could that tractor train service and water service be handled out of Kenora?—A. Yes, sir, I am of that opinion, and certainly the aeroplane could be based upon lines that remained after the National Transcontinental was abandoned, if it were abandoned.

[Mr. T. C. Macnabb.]

By Mr. Biggar:

Q. There is a point about that line that I should like to call attention to. I have some information here which indicates that it is a much less expensive line to haul freight over than either the Canadian Pacific double track line between Winnipeg and Fort William or the Canadian National line that goes down south through the United States from Fort Francis to Port Arthur, the old Canadian Northern. It is suggested to me that if you take 100 as being the cost of taking freight over the National Transcontinental and on to Superior Junction, you have got a cost of something like 116.5 over the Fort Francis line and 120.8 over the C.P.R. Would that be accurate?

Mr. FAIRWEATHER: That is not quite correct.

Mr. BIGGAR: Oh, I have the wrong line. I am taking it the wrong way. That is taking it all the way through to North Bay.

The WITNESS: We knew, and took into consideration that the National Transcontinental was a modern four-tenths line, and as such would have the lowest cost for transportation. We also knew there were three lines between the head of the lake and Winnipeg, and considered that one certainly was superfluous. We then had to balance the advantages and disadvantages of abandoning one of those lines, and as a result of the joint study we decided that the later line would be the best one to abandon with respect to the full economies, considering the three. As regards the transportation costs later, we understand that those responsible for working up that comparison in this area will be able to tell the committee just what the relations were between the three lines in question. Of course, you will remember that between Winnipeg and the head of the lakes on the Canadian Pacific is a double-track line which considerably alters the matter of cost, and you will remember that the preponderance of loaded traffic is east-bound from Winnipeg, and in that connection that the C.P.R. is on all fours with the Canadian National line at you have said is so good.

Q. From the point of view of grades? A. From the point of view of grades, precisely.

By the Chairman (Right Hon. Mr. Graham):

Q. On east-bound traffic? A. Yes, sir.

By Mr. Biggar:

Q. Not west-bound? A. It is not quite so good as on the National Transcontinental; but do not forget that the facility and cost of handling traffic on a double-track line is much better than on a modern line that is only single-tracked.

Q. I was interested in your other point, that your heavy movement is eastward. A. Taking the grain out. West-bound we are taking the empty cars back.

Q. So if you have a line that is advantageous east-bound you can in those circumstances, and having regard to the proportionate weight of the traffic, it were, afford to have some departure from the highest standard going the other way? A. Yes, sir.

Hon. Mr. ROBINSON: That applies to the line from Port Arthur to Winnipeg, something was said about the line from Winnipeg to North Bay, which could be influenced.

Mr. BIGGAR: It would be influenced by that.

By Mr. Biggar:

Q. Then, if I understand you aright, Mr. Macnabb, the point you make about that whole area is that it is a complicated system, that there is too much

trackage for the movement of freight either way across the bridge, as it were and that there is a substantial amount of trackage somewhere in that area that might be abandoned without any national disadvantage? A. Yes, Mr. Biggar. We thought there were substantial economies indicated there that could be obtained, and if that is not precisely so, that at least much of the economy could be obtained, if the line had to be retained, by reducing the standards.

By Hon. Mr. Calder:

Q. In other words, in cases of that kind—you have a situation east of Quebec, and down the Fraser Valley and between Port Arthur and Winnipeg—the point, as I see it, is that there are too many railways for the traffic that is carried, and that there should be some abandonment whether it is the Canadian Pacific or the Canadian National? A. Precisely.

By Mr. Biggar:

Q. Was the Nakina-Harvey Junction line proposed to be abandoned in that Exhibit No. 50?

Hon. Mr. ROBINSON: We have only dealt with the traffic from Port Arthur to Winnipeg. I would like to have that developed a little further. I want to deal with the traffic from North Bay to Winnipeg, and how it is going to be affected, because you are going to cut out half that line.

The CHAIRMAN (Hon. Mr. Beaubien): I thought you wanted to leave it to Colonel Biggar.

Mr. BIGGAR: I was taking it east of Superior Junction now.

Hon. Mr. ROBINSON: I do not butt in an awful lot, Mr. Chairman.

The CHAIRMAN (Hon. Mr. Beaubien). Well, do I?

Hon. Mr. ROBINSON: Quite a lot.

The CHAIRMAN (Right Hon. Mr. Graham): There is a difference of opinion.

The CHAIRMAN (Hon. Mr. Beaubien): One knows oneself very little.

The CHAIRMAN (Right Hon. Mr. Graham): Start a night school.

Some Hon. SENATORS: Oh, oh.

By Mr. Biggar:

Q. I was really taking the eastern part of that area, Mr. Macnabb, and was asking about the Nakina-Harvey Junction line. I was not sure that it was in the list of the 83. I think it is, is it not?—A. Nakina-Paddington?

Q. That is west from Nakina, is it not?—A. Yes.

Q. I am speaking of eastward from Nakina.

The CHAIRMAN (Right Hon. Mr. Graham): Could you point that out on the map? It is from where to where?

(The line was indicated on the map.)

By Mr. Biggar:

Q. I am told that it is not in the C.P.R. list, so that clears up that point. The next is Beaverton-Longlac, No. 41 in the list, on page 429.

(Line indicated on map.)

The CHAIRMAN (Right Hon. Mr. Graham): Beaverton is on the map, but it is not a very big place. What is it situated on, one of the lakes?

Hon. Mr. MURDOCK: Lake Simcoe.

The CHAIRMAN (Right Hon. Mr. Graham): It is on Lake Simcoe, and Longlac is west from there.

(Longlac is indicated on the map.)

[Mr. T. C. Macnabb.]

By Hon. Mr. Murdock:

Q. There are 21 miles of road from Longlac to Nakina. What about that? I do not see that included.

By Mr. Biggar:

Q. Will you deal with that, Mr. Macnabb?

Hon. Mr. MURDOCK: That branch line is not dealt with or specified on the list at all. In other words, those 21 miles are left sitting up there in the woods without anything on either end.

The CHAIRMAN (Right Hon. Mr. Graham): A mining line?

Hon. Mr. MURDOCK: No. That is the Longlac cut-off.

The WITNESS: That remains as a connection to Port Arthur east-bound, and is not isolated.

By Hon. Mr. Murdock:

Q. The line would be from Longlac to Nakina and then over the Transcontinental to Cochrane and to Harvey?—A. Yes, sir.

By Mr. Biggar:

Q. Beaverton-Longlac is down in the list in Exhibit 50 as 609 miles, and I understand that the essential part on which abandonment turns is that part between Capreol and Longlac, 397 miles. Can you tell us what information you have on that? Would you please indicate the line from Beaverton to Capreol and from Capreol to Longlac on the map?

(The line was indicated on the map.)

Q. Did you have before you figures with regard to the population along the line?—A. No. We did not make an examination as extensive as that. The railway between those points is still under consideration by the Joint Co-operative Committee of both railways, and some progress I understand has been made, and the study is not concluded.

Q. I am not concerned with the present situation at all. What we are really directing ourselves to is the foundation upon which this estimate of 1932 was made.—A. The estimate as to that particular line was made as of a personal survey over the line that had taken place shortly before the estimate was made. There was not a listing of the tributary industries and the population that might be in the country. Obviously, the time available was insufficient for that sort of investigation.

Q. That would be true generally, would it not, not only of this particular line but of most of the lines that were included in this list?—A. Yes, sir.

Q. Would it be fair to put it this way, that speaking of that whole area you indicated which of certain lines, some of which were redundant, you thought that generally perhaps it would probably be best to abandon in order to reduce the total down to what was sufficient?—A. Yes, sir.

Q. Independently of local conditions along the particular line that you suggested for abandonment?—A. We knew in a general way the local conditions, but we did not know them particularly.

Q. Independently of exact information as to the local conditions?—A. Yes.

Hon. Mr. MURDOCK: Colonel Biggar, may I here interject a human touch, bringing on the territory a few miles east of Long Lac, towards Capreol? I received this morning a letter from Hornepayne, Ontario, written by a councillor of the township in which Hornepayne is situated. He says:—

For the past ten years Hornepayne has stood still, on account of amalgamation.

The first amalgamation with the Grand Trunk brought Grand Trunk employees to Hornepayne to work on former Canadian Northern territory. These men just came here for the busy season and went back to Allouanish in slack season. They forced many of our permanent residents out of employment in Hornepayne.

Now the next rumored amalgamation with the C.P.R. has set town back another five years, we have many residents who would like to build new homes and improve old homes, they are at a standstill.

Our big problem is the school proposition, the Township Council and the School Board have put off the enlargement of our present school building for the past five years, now Father Time has forced our hands. We have forty children going to school in the basement of the United Church, the light is bad, it is a fire hazard. It was not built for a school room. We have ten or fifteen more children coming into school this year going out this year.

We will have to raise approximately fifteen thousand dollars by a fifteen-year debenture issue to enlarge our present school building. The Township Council does not wish to raise these debentures and in a few years have to take the steel taken up through Hornepayne and have to default all debts on these debentures and cause more hardship in the Dominion. These hardships may be overcome by a little advance information.

Mr. Murdock, I will just have to put you on the spot. I cannot promise to keep your answer confidential as it is not for my private benefit. What we wish to know is would you advise us to go ahead and raise this debenture this year or would you advise us to hold off and carry on as well as we can?

Can we be assured that the C.N.R. will operate through Hornepayne?

You will readily understand our school situation is critical, we have held off enlarging this building five years too long now.

Yours truly,

ERWIN B. WEST.

That gives a little human touch to this thing.

By Mr. Biggar:

Q. Mr. Macnabb, may I just direct your attention to the eastern area, that is to say, from Quebec eastwards? One of the lines proposed for abandonment is that from Edmundston to Diamond Junction, which is really Quebec. I have No. 7 on the list, at page 427 of the proceedings. The mileage is 225. (The line is pointed out on the map.) Now, with regard to that, I think we have been told that that is far and away the best line from the point of view of grades?—The same condition obtains, that it is a four-tenths line through that territory as was admitted last night.

By the Chairman (Right Hon. Mr. Graham):

Q. One way?—A. Eastbound, sir, at least.

By Mr. Biggar:

Q. The information I have about that, with regard to efficiency, is that if you take a gross ton there on that line at 100, a gross ton on the Canadian Pacific alternative line would be 110.6, and on the Intercolonial, 123.7. Do you remember whether you had any figures of that kind before you?—A. Yes, we knew that, and had it before us, and the same problem presented itself between Fort William and Winnipeg, that here was a territory that was undoubtedly having more railroad service than was required, and the problem

[Mr. T. C. Macnabb.]

to use that part to the best advantage for both the railway and the country as our judgment would decide. And so, though we had here a high capacity line, if there was no traffic moving over it and if there was not the same necessity for the line, although it was designed and built to a higher standard, though it might not be so maintained, nevertheless in the general interest that was the line in our judgment that should be decided to be abandoned.

Q. I suppose the position was the same in that respect, that there was too much mileage and you wanted to see, assuming that you were going to cut off some, which was the most convenient to cut off?—A. Which was the most economical, viewing the general situation.

By Hon. Mr. Moraud:

Q. Not taking into account the public interest?—A. Oh yes, taking the whole public interest into account.

Hon. Mr. HORSEY: In a general way.

By Mr. Biggar:

Q. But on the assumption that you were going to reduce expenses by cutting mileage.—A. Yes.

By Hon. Mr. Calder:

Q. Would the judgment when you were making this estimate take this matter into consideration, that if eventual abandonment of a certain line was not found feasible, nevertheless the through passenger traffic and through freight traffic could be abandoned on one of two lines, and the other line left still in existence as a low grade line? Did you take into consideration that a means might have been found whereby all the through traffic might be carried on one line, with the other line left still in existence, but degraded—I suppose that would be the term—that is, not having the same maintenance costs.

Hon. Mr. MORAUD: There would not be any economy there.

Hon. Mr. CALDER: I think there would.

Q. Would there be any economy in effecting a through routing of heavy traffic, both passenger and freight?—A. Undoubtedly, Senator, if it was found that this particular line to which you have referred, for some reason should not be taken up, there would be substantial economies in rerouting the traffic from west of Montreal and dividing it between the remaining lines, and putting it on the line under study sufficient traffic to take care of the domestic needs. There would be undoubtedly heavy economies in that.

Q. Did you take that factor into consideration in your estimate?—A. We considered this line for abandonment; and I said, and still say, that if it is not possible to abandon, there are still major economies of the nature that you have specified.

Q. That is why we have been told that if these lines are not abandoned, we would still have very substantial savings, over the whole 5,000 miles?—A. Yes. If there should arise such an inconceivable situation that no railway line in Canada would be abandoned, and our \$75,000,000 estimate has to be considered in that light, then the \$75,000,000 becomes \$68,000,000.

Q. And that is because the through routing of traffic over one first-class line would do the business, and you would have less maintenance charges and everything of that kind?—A. That is the element that would do it. May I suggest, that there are 2,000 miles common to both, and if they were taken without controversy concerning the remaining mileage, then this estimate of \$75,000,000 would become \$71,000,000.

By Mr. Biggar:

Q. That was a point I was coming to, and we may just as well dispose of it. Suppose that you disregard all the mileage that was not common to these two programs, your estimate of \$75,000,000 would drop to \$71,000,000.—A. Yes.

Q. Is that on the basis of continuing to use the difference, the 3,000 miles in the same way that it is used now, and maintaining it on the same standard that it is maintained now, or on some different standard?—A. No sir. We would alter the amount of train service and alter the character of maintenance of the line.

Q. That may be an important item, and therefore I should like you, if you would, to tell us how much the \$75,000,000 would drop below \$71,000,000 if there was no change at all in those 3,000 miles, in the character of the maintenance or in the character of the service on them?—A. That just simply means that you take no advantage of rerouting, and leave it as it is?

Q. Yes.—A. The figure is \$14,000,000.

Q. Is that the figure on the basis that I put it to you, that the 3,000 miles remains exactly as it is, that you drop the 2,000 miles common to both programs?—A. I am afraid I do not quite understand your submission, Mr. Biggar. Do you mean if we do nothing with the 5,000 miles, at all?

Q. No.—A. That we do nothing with the 3,000?

Q. That is it.—A. But we do abandon the 2,000?

Q. Yes.—A. I think we would have to take a look at that, sir. I cannot just answer it.

Q. You spoke of degrading the 3,000 miles.—A. Yes sir.

Q. And you spoke of reducing the service on the 3,000 miles?—A. Yes, Mr. Biggar.

Q. What I was really concerned with was, how much is involved in the way of saving in the degrading, and how much is involved in the way of saving in the reduction of the service, on the 3,000 miles?—A. I would have analysed that, sir. We could do it, but I have not got those figures before me.

Q. I would have thought you would have had them before you when you tell us that the \$75,000,000 estimate dropped to \$71,000,000 on the basis of degrading and reducing services on 3,000 miles. How much have you included in that as a saving for the degrading and the reduction of services?

Hon. Mr. HAIG: Mr. Chairman, before Mr. Macnabb answers, may I say this. Has he not said there was \$7,000,000 saved on the 5,000 mile abandonment, but when you cut that down by 2,000 miles it reduces the savings to \$4,000,000. Deducting the \$4,000,000 leaves the \$71,000,000. You would have to take the 2,000 from the 5,000 mileage to get at what the reduction would be.

Mr. BIGGAR: You can get at it in that way mathematically.

Hon. Mr. HAIG: Yes.

By Mr. Biggar:

Q. That is the position, Mr. Macnabb?—A. We would have to examine the mileage.

Q. But is that the basis?—A. Yes, sir.

Q. You suggested yesterday that if some of these pieces of road that were proposed to abandon were found incapable of abandonment, others would be found to take their places?—A. Yes.

Q. On what is that statement based?—A. We have felt that this list is exhaustive, and that examining the railway situation in Canada there will be found mileage for abandonment that was not included in the list. In our case between Wolseley and Reston we put in some 71 miles in the list that was common to both of us. That is No. 62.

[Mr. T. C. Macnabb.]

Q. In Exhibit No. 50?—A. And we have since found out that we could include the whole line, adding 50 miles to the possible abandonments. It is similar situations that lead us to say that the measure of the abandonment under unification is in the vicinity of 5,051 miles.

Q. I suppose, putting it in round figures, you would not bother about the?—A. No.

Q. Perhaps you would not bother about the one anyway?—A. No.

By Hon. Mr. Calder:

Q. Will you show where the Reston-Wolseley line is, and the extra 50 miles?—A. Yes.

Q. What is the equivalent on the C.N.R.?—A. Maryfield-Peebles is the C.N.R.; they are the two points. That is No. 62.

Q. How many miles are they apart?—A. They touch at points.

Q. The reason you have added those to others is that grain can be taken on the lines that are left?—A. Yes. The country can be served without the Wolseley-Reston line under unified management, though in the original submission he included 71 miles only in the 5,000.

By Mr. Biggar:

Q. When you speak of your line figure of 5,000 miles, is that on the basis of what you think the board would approve abandonment?—A. We feel that with 2,098 miles common it is reasonable to believe that, presenting to the board the full evidence of the individual abandonments which we have decided upon, and with the amendment to the Act, we would still receive authority to have an abandonment in total to the measure of 5,000 miles.

By Hon. Mr. Calder:

Q. And if the board did not agree with, say, 500 miles of that 2,000, you would still make very substantial savings?—A. Yes, sir. The whole question of line abandonment in gross is not more than 10 per cent of our estimate, and we take out the 2,098 miles that is common to both estimates, it is very much smaller.

By Mr. Biggar:

Q. Mr. Macnabb, I do not think we have before us any list of the 2,098 miles complete.—A. You had it, sir, as Exhibit No. 45 in the proceedings.

Q. But it has not been printed. I think we had better have it printed.

The CHAIRMAN (Right Hon. Mr. Graham): Yes.

Mr. BIGGAR: Perhaps we need not have it all printed. Will the committee be satisfied to leave it to me to select the part of Exhibit No. 45 that might be printed?

The CHAIRMAN (Hon. Mr. Beaubien): Yes.

By Hon. Mr. Calder:

Q. How long is it, Mr. Macnabb?—A. There are three and a half pages of Exhibit No. 45.

Mr. BIGGAR: I think perhaps that would be useful to the committee. The exhibit contains the whole list of both the Canadian Pacific and the Canadian National programs, the mileage common to both, and the comparison of these consolidation programs with the Canadian National co-operative program and the thin traffic line program. It also contains Mr. Fairweather's suggestion to the committee with regard to the functionally duplicate lines. I suggest that with it we might have an indication of what the Board of Railway

Commissioners did with regard to any of the applications for abandonment lines that were included in the common 2,098 miles. I can have that prepared separately perhaps.

By Mr. Biggar:

Q. Mr. Macnabb, did you want to say anything about the difference between abandonment of lines under co-operation and their abandonment under unification, or have you covered that point?—A. Just this, Mr. Biggar, under unification one is considering the whole of the railway situation of the country from a common viewpoint and a common interest.

THE CHAIRMAN (Right Hon. Mr. Graham): Excuse me. I may be a crank on this point. Is that absolutely correct? You heard Senator Murdock's letter and you can readily understand that we have a large number of such letters. It is all very well for us who are well fed—better than well fed—to sit around here and figure out how we can doctor up the transportation system, mail to help the investment in railways. I do not say that investments in railways are not all right. But you can see all the way through our chief end is to aid the railway situation, forgetting largely what it is going to do, to the man Hornepayne, when you propose abandonment of his line. You can imagine his position. You can hop onto your car or train almost any time you like, and mail your letters at any time of the day you like. But this man in Hornepayne will be an outcast socially in a way if you do to him what he is afraid of. We are going to do, and what will be done to a large number of the people in Canada. No matter how serious the situation is for our transportation problem, are you going to help Canada by bolstering that up more than you are going to injure Canada by making its population less happy and poorer than it is now, making its lot more unbearable than it may be under the worst circumstances?

HON. MR. MURDOCK: The conservation of human rights is the most important thing to be taken into consideration.

THE CHAIRMAN (Right Hon. Mr. Graham): You interject. What do we get the Board of Railway Commissioners to do? Now, the Board of Railway Commissioners was not established solely to protect the railways. It was established to maintain an equilibrium between the railways and the public, largely for the benefit of the public.

SOME HON. MEMBERS: Hear, hear.

THE CHAIRMAN (Right Hon. Mr. Graham): Unless you change the Act to make it compulsory, you need not expect any honest Board of Railway Commissioners to permit the tearing up of a lot of these lines because that will largely benefit the transportation companies.

HON. MR. GORDON: It will help the taxpayer, though.

THE CHAIRMAN (Right Hon. Mr. Graham): It will not help the taxpayer whose property is made less valuable by taking away his transportation. I am speaking of the man who is going to be injured by this. Far more people will be injured by this than the general public or the taxpayers believe.

THE WITNESS: In many cases, sir, those lines we have listed for abandonment have already been deserted by traffic to a large extent and that traffic has found transportation facilities elsewhere. That is the reason why we have included them in the line abandonment list. So far as human rights are concerned, if the individual at Hornepayne happens to be a railway employee under the scheme of unification his rights are proposed to be amply protected.

THE CHAIRMAN (Right Hon. Mr. Graham): My answer to that would be this. The word "proposed" is quite appropriate, because that is as far as it can go in comparison with what it is suggested it will go. I have had

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perience with railway labour and railway affairs, and I tell you this, no matter what we may figure, estimate and propose, the fact is that most of the reduction of all these difficulties will come out of labour. I am not particularly labour man either, but wherever you place the reduction of cost you are going to affect so many men. The cost of labour is the big cost in railroading. When you take out a thousand, or ten thousand men, you cannot just pass the resolution saying they are not going to be hurt. When they are out, they are out of a job. I do not want to be lopsided, but after listening for hours to propositions that really are for the benefit of the railways and their component parts, I cannot sit still without saying something for the people that I feel are going to be injured.

Hon. Mr. MURDOCK: And I think you can bring Ottawa citizens right into this room and prove that fact—men with 25 or 30 years seniority, who, as a result of the abandonment of certain lines are out of a job.

The WITNESS: Under co-operation that is true, but under the unification project as placed before this honourable committee yesterday, there was a distinct undertaking that there would be protection for labour under any system that was adopted which received the concurrence of the Canadian Pacific Railway Company.

The CHAIRMAN (Right Hon. Mr. Graham): I know all that; we have said that; but the fact remains, and there is no use trying to avoid it, that every dollar that is saved must be saved out of some part of the expenditure. The larger part of the expenditure is for labour, and if you are going to look after all the labour efficiently or sufficiently you are not going to make any saving.

Hon. Mr. MURDOCK: Mr. Meighen said the other day that 90 per cent of the saving was labour, and I think that was concurred in.

Hon. Mr. CALDER: If that idea prevails, Mr. Chairman, I think this committee might as well rise.

The situation put before us by the Chairman is briefly this, that if we are to effect economies 90 per cent of them, as I think someone said, will affect labour. We will not put it at 90 per cent, but will say a very large amount.

Hon. Mr. MURDOCK: I put it at 75 per cent.

Hon. Mr. CALDER: Yes. I say we all realize that. The railway companies realize it and the people of Canada know it. On the other hand, according to the representations made to us up to date, if these economies are to be effected under unification that element is provided for. I will say as far as the Chairman has gone, and will say that the provision made is not be satisfactory, or entirely satisfactory. But there is provision, as there was in England. By the way, I have just read a very interesting pamphlet on rationalization in England. Over there every effort was made to take care of the labour situation, and so far as I have been able to ascertain from what I have read, the provision made has been reasonably satisfactory to labour itself. My point is this. If we are going to take the attitude that no economies can be effected without hurting somebody—and that is true—if we are going to take the attitude that these economies should be effected because that is the result, I think we might as well rise and end our study. There is no use in going on, because you cannot effect these economies without affecting labour and without displacing some. Senator MURDOCK says, "Yes, here is a man with long years on the railway, who is out of a job because of certain economies which have been effected." It is true that that cannot be avoided, and that man must be taken care of when these economies are effected.

Hon. Mr. MURDOCK: Do not forget, that is a promise.

Hon. Mr. CALDER: It is not a promise from me. When I say "we," mean that the Parliament of Canada must see that this is taken care just as it was taken care of in England.

The CHAIRMAN (Right Hon. Mr. Graham): I am through. I think have attained my object. Whether we have cared for the situation as ought to have done remains to be seen, but I want to point out that all argument has been for the saving of money for those who have money.

Some Hon. SENATORS: Not at all.

Hon. Mr. MURDOCK: Yes. First, last, and all the time.

Some Hon. SENATORS: No, no.

The CHAIRMAN (Right Hon. Mr. Graham): Pardon me. I have right to a word now and again. We will put it this way—no men who have all the conveniences are being deprived of those conveniences; it is the men who have but few. Perhaps that cannot be helped to a certain extent, when we come to a discussion of the Board of Railway Commissioners must remember that they were appointed to look after all parties.

Hon. Mr. CALDER: Have they not been doing it?

The CHAIRMAN (Right Hon. Mr. Graham): You do not seem to want to express myself, but I will. I will.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN (Right Hon. Mr. Graham): It has been said within my hearing. "Do you suppose you can get the statute changed so that the Board of Railway Commissioners can be more lenient in allowing these changes?"

Hon. Mr. MURDOCK: Can be rougher.

The CHAIRMAN (Right Hon. Mr. Graham): I took a deep interest in the Board of Railway Commissioners and their appointment and the whole reason for their appointment. The Railway Board is one of the most useful boards ever had, and it was appointed to make sure that the people themselves have a fair deal in all these matters of transportation. One of the purposes was to prevent one railway or two railways deciding to pull up tracks and leave people without transportation, unless the Board gave its consent. If that is going to be changed, and the powers of the Board of Railway Commissioners are to be minimized to please some person or to fit in with some scheme, I say great damage will be done to the Dominion of Canada.

Hon. Mr. CALDER: Who suggested minimizing the powers of the Railway Board?

The CHAIRMAN (Right Hon. Mr. Graham): I say that within my hearing it has been suggested, quietly, of course, that the only way we can do this—arrange to have had men come to me and tell me this—is to change the statute to make it easier for the Board of Railway Commissioners to permit this thing to be done.

Hon. Mr. CALDER: I did not hear it in the evidence.

The CHAIRMAN (Right Hon. Mr. Graham): That is not where you get your argument. You do not get argument in evidence. Now, to make my point clear, I beg of you all that you will not forget that there are two sides to this question and that a dollar in the pocket of the man who has few advantages is just as valuable as the dollar in the pocket of the man who has money.

Hon. Mr. GORDON: Mr. Chairman, may I suggest that if in your business you had adopted the principle with regard to labour which you would adopt in connection with the Canadian National, which is owned by the people of Canada, you would not be in business to-day. You would put a premium on inefficiency, and if your argument were carried to a logical conclusion, the C.

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lian National Railways to-day in place of having the number of men they have mentioned should have five or six thousand more.

The CHAIRMAN (Right Hon. Mr. Graham): I could answer that.

Hon. Mr. GORDON: The argument you advance in that respect is the most businesslike one I ever heard you express.

The CHAIRMAN (Right Hon. Mr. Graham): I may not have been in business as long as you have, but I am still in business.

Some Hon. SENATORS: Oh, oh.

Hon. Mr. GORDON: Yes.

The CHAIRMAN (Right Hon. Mr. Graham): I have never, as we say, "let out" an efficient man; I have never underpaid an efficient man; I have never charged him for his time when he has been sick, and I am still in business. But that is my own business. You cannot run the public business in that way, I admit.

By Hon. Mr. Horsey:

Q. May I put a question? In the abandonment of the lines to which the Railway Commission has already agreed, has there been any suffering on the part of labour, or have there been many protests with regard to the suffering of the community or lack of transportation facilities? How is that dealt with?—A. The public was represented before the Board of Railway Commissioners, and made their case.

Q. I mean since the abandonment?—A. I know of none on the Canadian Pacific.

Q. With regard to employment or facilities for the public?—A. No.

Q. Were those men taken over and absorbed by the road where lines were abandoned?—A. I cannot answer that.

Q. Was unemployment increased by it?—A. I do not think so, Senator Horsey. I know of no case where that has happened.

By Hon. Mr. Haig:

Q. Under co-ordination there could be no provision to take care of the men that were let out by reason of co-ordination?—A. Under co-operation each railroad has to take care of its railway agreements, but under unification conditions are entirely changed.

By Hon. Mr. Calder:

Q. As provided for by Act of Parliament?—A. Yes, sir.

Hon. Mr. ROBINSON: That depends on the Act.

Hon. Mr. HAIG: Sir Edward Beatty said yesterday that his case was premised on the fact that he would take care that the Act would provide that all the personnel would be looked after. I said, "Now, Sir Edward, what does that mean?" He said it meant that in five years, or not more than seven, the gradual turnover which is taking place at the present time, which is about 10 per cent on the average of the personnel all over, would have to be taken care of by the railroads. If you read the history of the situation in Great Britain when the statute came into effect there, you will see that was the first condition laid down by the Government. It is easy for the Chairman to make a speech on the great difficulties of labour. Everybody can do that. The blindest, dumbest, supplest politician can do that. But money has not got any vote, and these people all have the vote.

We might as well quit this investigation unless we start out with the premise that the personnel will be fully protected under the scheme. As I say, I asked Sir Edward how long it would take to work it out, and he said from five to

seven years. Then the question comes up, what about the \$52,000,000 we have to pay on the deficits on the Canadian National Railways. Would not that be the unemployed that are out of work, and that means not only Canadian National and Canadian Pacific men who have the right to work, but other people who have the same right; and if that is not the first premise, I for one will withdraw from this committee. It would have to be understood, to start with that the statute must protect the personnel of the unified roads.

Once that is agreed upon, what can we do about unification? I am particularly in favour of unification, but nobody can help being impressed by the Canadian National deficits. This year the estimates contained \$44,000,000 to cover the loss on the Canadian National. The taxpayers of this country have got to open their eyes to the situation, or we shall have the same conditions that they have in the States, with industry unable to go ahead because of the taxation around its neck. Now, I do not take a back seat to any man in this Committee in interest in the workers, and I want to see that the personnel of the railroads is protected 100 per cent. And if my vote in the Senate counts for anything—and it counts for one vote—I will vote for legislation that protects the men 100 per cent. But after that is provided for, then I want to know if by unification or any other scheme we can save part of this \$44,000,000 that we the taxpayers of this country, have got to pay. That is the sole issue in this investigation. True, the people in Hornepayne are affected, but the Railway Commission will consider that situation when it comes to make a decision. But the position of the railroad workers at Hornepayne will have to be set off against the position of the other people there who are not railroaders, and against the position of all the rest of the people who are not railroaders and are carrying a heavy load.

Hon. Mr. DANDURAND: I draw the attention of my honourable friend to the fact that he is not a witness.

Hon. Mr. HAIG: No. But my honourable friend did not interrupt the Chairman when he was making a political speech—and that is what I call it frankly.

Hon. Mr. ROBINSON: Are we all to make speeches?

Hon. Mr. HAIG: If you like.

Hon. Mr. DANDURAND: I would suggest that honourable members do not rise when they speak; I think they do not speak so long when they are sitting.

I merely want to say that I cannot understand how labour will be better protected under unification than under co-operation. I think it could be treated on a parity under both methods.

Hon. Mr. HAIG: No.

Hon. Mr. CALDER: No.

Hon. Mr. GORDON: If the railroads can save \$50,000,000 or \$60,000,000 can they not afford to treat their employees properly?

Hon. Mr. DANDURAND: We are here to seek facts, and to have as few speeches as possible, because we shall make speeches when we are through receiving information. I cannot admit that under co-operation the employees could not be treated as well as they could under unification.

Hon. Mr. CALDER: Under co-operation, where there is line abandonment and men are put out of employment, each railway company must take care of that situation. But if there is unification, it will be by agreement, which will be followed by a statute, and that statute will set down the conditions under which labour must be taken care of.

Hon. Mr. DANDURAND: You are speaking of future legislation. But I am speaking of the situation as it is to-day. There is no reason why employees who are let out under co-operation would not be treated as well as those let out under unification.

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Hon. Mr. CALDER: Except that under co-operation it is left entirely to whatever the railway companies wish to do, and of course with the terms of the present agreements with the labour organizations. But in case Parliament could finally agree to unification, then Parliament should see that the labour situation is taken care of.

Hon. Mr. DANDURAND: We could do that as well under co-operation, by statute.

Hon. Mr. CALDER: But it does not exist at the present time.

Hon. Mr. MURDOCK: Oh, yes, it does. You do not know it, but it does.

Hon. Mr. DANDURAND: A statute providing for unification does not exist, any event.

The CHAIRMAN (Right Hon. Mr. Graham): It was not the railway men I was thinking of; it was the people on the small properties.

By Hon. Mr. Buchanan:

Q. Mr. Macnabb, you have had experience with the Board of Railway Commissioners in asking for abandonment of line, and the proportion of line that the Commission has permitted you to abandon is very small, whether applications have been made co-operatively or individually by each railway. Now, under unification it still would be necessary to apply to the Commission for permits to carry out this very wide program of abandonment, unless the Government set up a new body. As things stand at present, with the powers of the Commission remaining as they are, do you think, in the light of your experience with the Commission that there is a possibility of this program being carried out?—A. We think so, Senator, in the light of our experience. There has been no duplicate line abandonment application refused, and in my own case I can think of only one thin traffic line application that was refused.

Q. In the light of the approach the Railway Commission makes to an application of this character—public necessity—you think that an application for abandonment of these lines as proposed in the program would be granted?—A. Yes sir, we believe that.

Q. And in the light of your experience?—A. Yes.

Q. Well, I had a different impression, and I still have.

By Mr. Biggar:

Q. I have two questions with regard to maintenance and degrading and rerouting. Have you considered with respect to each of the sections of these proposed abandonments the basis upon which the maintenance would be, in the event of a degrading?—A. In our estimate we proposed the line for abandonment and indicated the route that the traffic would take after abandonment. You will see that in the exhibit. With respect to the question of if the line remained, we did not consider that in the estimate of the \$75,000,000.

Q. Any degrading?—A. No, not in this line abandonment, but it was taken into consideration subsequently, in the estimate, as it influenced other portions of the estimate.

Q. I think, then, you have answered the other question I was going to ask you. It would follow that there has been no segregation of the traffic which would be rerouted from that which would continue on a degraded line?—A. No, on the basis of a track abandonment estimate, no. But might I say that there is an element in the savings which takes into account that which is gained by rerouting traffic, apart from line abandonment specifically. But that is not in this story.

Q. Did you take into account anything with regard to substitution of other means of transportation, like highways, for abandoned lines?—A. Yes,

we considered in every case what transport facilities might be available to the community that was tributary to the line proposed for abandonment; for instance, the existence and character and distance of the highway available, the waterways, and of course the remaining railways; and, in some cases, the airways.

Q. But you did not take into account the actual construction of new highways?—A. No, we did not propose that it would be the charge of a unified management to provide those facilities.

By Hon. Mr. Dandurand:

Q. You would not furnish that alternative service?—A. If the transport facilities were not adequate in the absence of the railroad proposed to be abandoned, we did not consider we ought to take it up. That is, we did not approach the problem from the position of: Could we build something that would take the place of what we proposed to abandon? We did not consider that at all. We simply said: If this branch line were abandoned, will there remain adequate transport facilities? And when we said we would abandon the branch, we considered that there would be other transport facilities available there.

Q. But you did not think of furnishing them yourself?—A. No, sir.

By Mr. Biggar:

Q. Do you want to add anything on the subject of the difference between duplicate line abandonment and thin traffic line abandonment? The point has been pretty well covered, I think?—A. It has been covered, sir.

Q. You perhaps want to deal with the question that Senator Poirer asked, with regard to mileage abandonment in the province of Quebec?

By Hon. Mr. Dandurand:

Q. Before that question is asked, may I ask this? We have been told that in the 5,000 miles there were included 500 miles of Canadian Pacific thin traffic lines that could be abandoned, and that out of these 500 miles the Canadian Pacific applied to the Railway Board for permission to abandon only 100.

MR. BIGGAR: That is because there had been no consolidation or unification.

HON. MR. DANDURAND: No. They are not redundant lines.

MR. BIGGAR: It is a question of withdrawing from the territory.

HON. MR. DANDURAND: I should like to have some explanation of this. We were told that there were 500 miles of thin traffic lines that the Canadian Pacific could itself abandon.

MR. BIGGAR: If it wanted to abandon the territory.

HON. MR. DANDURAND: I do not know. But the Canadian Pacific applied to the Railway Board for permission to abandon only 100 miles, and it got permission to abandon 50. Why did they not apply with regard to the other 400 miles?

By Mr. Biggar:

Q. I think that was dealt with in connection with the mileage between Soulanges and Cornwall?—A. Yes, sir.

Q. The difference between abandonment of line under unification and abandonment of line apart from unification was dealt with?—A. Yes.

Q. You might explain it again.—A. In the 5,000 miles, it was stated by the Canadian National that there were some 500 miles that were

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traffic lines, ours and theirs. And to the extent that we do not proceed to abandon our thin traffic lines, in a measure it is due to the fact that we have a competitive position to maintain. As an example of that, there is the line to Cornwall, which could be properly abandoned under unification, but we ourselves cannot abandon it without adversely influencing our competitive situation.

Hon. Mr. HUGESSEN: I do not think that was quite what Senator Dandurand was asking. I understood, and I think he understood, that the Canadian Pacific had about 500 miles of thin traffic non-competitive lines of its own, which in its estimate of 1932 it said it could abandon without affecting the competitive situation at all.

Mr. BIGGAR: I did not so understand it.

Hon. Mr. DANDURAND: That is the statement that was made before this Committee, that the Canadian Pacific had 500 miles of thin traffic lines which it could abandon of its own volition.

Hon. Mr. HUGESSEN: Non-competitive lines.

Mr. BIGGAR: It is true that they could abandon it of their own volition.

The WITNESS: We think we have 150 miles of that nature in the 5,000 that if we did not pay any attention to our competitive situation might be considered for abandonment.

By Hon. Mr. Calder:

Q. What is the origin of the 500 miles, if you have only 150?—A. The Canadian National in studying our 5,000, I understand, said that there were 500 miles of thin traffic lines there that belonged to both companies.

By Hon. Mr. Dandurand:

Q. These 500 miles belonged to the C. P. R., out of which 100 miles only were offered to the Railway Board for abandonment, of which 50 miles were granted. How is it that the Canadian Pacific indicated 500 miles that it could abandon to its own exclusive advantage, and yet only applied for 100 miles of abandonment?—A. I cannot find that figure. Perhaps if we had it indicated we could deal with the list.

By Mr. Biggar:

Q. You filed it somewhere about page 312. In the letter that Mr. Fairweather read he pointed out that there were 2,098 miles common to both programs: that there were in the Canadian National program, but not in the Canadian Pacific, 150 miles of Canadian National thin traffic lines; and that there were in the Canadian Pacific program, but not in the Canadian National, 507 miles of C. P. R. thin traffic branch lines. I think that is the 500, Senator.

Hon. Mr. HORSEY: Page 312?

The WITNESS: At the top of page 314 there is a statement to that effect. We should like to know what constitutes that 507 miles. We think it is about 25 miles.

By Mr. Biggar:

Q. 125 what?—A. That are our thin traffic lines.

Q. In that statement?—A. Yes.

By Hon. Mr. Calder:

Q. Mr. Fairweather gave us that as his opinion when he checked over the 5,000 miles. He and those associated with him were of the opinion that there were 500 miles of C. P. R. thin traffic lines. The C. P. R. may have an entirely different opinion.

By Mr. Biggar:

Q. I was going to ask Mr. Macnabb if he can give us a list of the 122 miles.—A. Yes, sir.

Q. Can you let us have it after lunch?—A. Yes, sir.

By Hon. Mr. Robinson:

Q. I want to ask a question about the labour situation. It has been stated repeatedly that labour must be taken care of in the event of unification. In all these estimates of savings is there any calculation of what it is going to cost to take care of this labour, because that will affect the savings?

Hon. Mr. MURDOCK: Hear, hear.

The WITNESS: We have very carefully said that the complete unification would be spread over a period of from five to seven years, and have pointed out that the normal attrition of labour is such as to make the payment of those temporarily displaced from railway employment a matter of very small consideration in view of the \$75,000,000 economy.

By Hon. Mr. Robinson:

Q. It will not cost anything hardly; that is your answer?—A. That is correct, sir.

The CHAIRMAN (Right Hon. Mr. Graham): Senator, I was talking more of the man being robbed of his transportation facilities rather than of the labourer.

The CHAIRMAN (Hon. Mr. Beaubien): Don't you get into that.

Hon. Mr. HAIG: I move we adjourn.

The committee adjourned until after the Senate rises this afternoon.

AFTERNOON SITTING

The committee resumed at 3.45 p.m.

The CHAIRMAN (Right Hon. Mr. Graham): We are ready.

Mr. T. C. MACNABB (examination resumed):

By Mr. Biggar:

Q. Mr. Macnabb, you were going to give us a list of the Canadian Pacific non-competitive lines that were included in the 5,000 miles.—A. Thin traffic lines.

Q. Thin traffic lines, yes.—A. An examination of the list that was submitted with the estimate of \$75,000,000 shows that items No. 2, No. 11 and No. 30—

Q. You are speaking of Exhibit No. 50?—A. Yes. That is page 427.

Q. Items 2, 11 and 30?—A. Item No. 2, the Bay Shore line, item No. 11, Elkhurst-Windsor Mills, and item No. 30, Bolton-Melville, are shown in the list. The first line indicates 82 miles.

Q. You are speaking now of item No. 30?—A. Item No. 2. Item No. 2 is listed as 82 miles. Of that 82 miles we would consider that the whole system is a thin traffic line. Of that amount the Canadian Pacific, independently has already abandoned 29 miles.

Q. Before we leave that, I observe from this document which I was handed this morning, that it is not part of the common 2,098 miles.—A. Just a minute. No, it is not put in in the 2,098 miles.

[Mr. T. C. Macnabb.]

Q. Right. Next?—A. No. 2 is, of course, a Canadian Pacific line.

Item No. 11, Elkhurst to Windsor Mills. There is 59 miles in the list, of which 15 is non-competitive, and to be considered as a thin traffic line.

Q. The remaining 44 being— —A. In duplicaton with the Canadian National Windsor Mills line.

Q. Now, I notice that that likewise is not in the 2,098?—A. It is not shown in the 2,098 miles. It is of course in the 5,000.

Q. Yes?—A. Of that amount 15 miles, which was the non-competitive portion, has already been abandoned.

Q. Yes?—A. No. 30, Bolton to Melville. That is listed as 19 miles, of which 19 miles is thin traffic line, and that has been abandoned.

Q. And that is not in the 2,098?—A. No.

Q. Right.—A. So that the Canadian Pacific thin traffic lines in the 5,051 is shown in the list, comprise 160 miles, of which thin traffic is admitted to be 116. Of that 116, which is admittedly thin traffic, 63 have already been abandoned.

Q. Right. Now then, if you turn to the 2,098 miles. there were two lines, No. 60 and No. 61 in Exhibit No. 50, which were also in the Canadian National, and a third line, No. 49, which likewise was shown—a total among the three of 100 miles. Perhaps you had better tell us about this, and why nothing happened if nothing did.—A. What are the numbers?

Q. No. 49, Elm Creek to Plum Coulee, 40 miles; No. 60, Binscarth to Inglis, 24 miles, and No. 61, McAuley to Virden, 36 miles.—A. With respect to the Elm Creek to Plum Coulee, if you will notice the method of handling the traffic from the abandoned line you will see it says, "Will move over two Canadian National and two Canadian Pacific lines in the vicinity." So that in our competitive position we would not want to share under co-operation in abandonment with two Canadian National existing lines.

Q. I follow. Now, what about the next one, No. 60?—A. No. 60, Binscarth to Inglis. The proposal was that the traffic would move over the parallel Canadian National line, not a position that could be taken except under unification.

Q. Yes?—A. No. 61, Virden to McAuley. There will also be a sharing of the traffic with the adjacent Canadian National as well as the Canadian Pacific line.

Q. It could be abandoned under the unification, but not under co-operation?—A. Yes, sir.

By Hon. Mr. Black:

Q. Do you say it could not be abandoned under co-operation?—A. Yes, sir.

Q. It could be abandoned under unification, but not under co-operation?—A. Yes, sir.

Hon. Mr. DANDURAND: He does not give the reason why it could not be abandoned under co-operation.

By Mr. Biggar:

Q. You might give that again.—A. The proposal was that the traffic from the abandoned line would be shared with existing remaining Canadian National lines, and while it may not be precise to say it was impossible to do that, under co-operation one could not voluntarily abandon a thin traffic line except there was some other consideration that has not yet been found under the co-operative investigation.

By Hon. Mr. Dandurand:

Q. Was that line competitive?—A. Oh, yes. These lines are competitive, sir.

Q. But 500 miles were mentioned as being non-competitive.

Mr. BIGGAR: Sometimes they are mentioned as being non-competitive, and sometimes as thin traffic lines.

Q. You said in exhibit 50 that you were only able to find 125 miles of what you called branch or thin traffic lines—I do not know which adjective you used.—A. Thin traffic. And an examination showed that that 125 is precisely 116.

Q. Can you tell me what made up that 125 miles in Exhibit 50?—A. It is 116. I said 125, but the figure is 116.

Q. Oh, the three that you gave us first?—A. Yes, those are they.

Q. I have before me now a list of what the Canadian National regarded as thin traffic lines, and which were included in that letter which is at page 312 and following pages of the proceedings. The first one is Chipman to Norton, No. 3. Would you so regard it? It is 45 miles.—A. I did not get your question, sir.

Q. I am pointing out to you that in that letter which begins at page 312 of the proceedings, it says, at the top of page 314, that there were in the Canadian Pacific program but not in the Canadian National program 507 miles of thin traffic branch lines. You told me this morning that you could not find any more than 116, as it turns out to be?—A. Yes.

Q. Now with regard to those that the Canadian National did include in that classification, the first one is item No. 3, in the list on page 427, Chipman to Norton, 45 miles?—A. Of course, that is competitive with the Canadian National.

Q. But would it be a thin traffic branch line?—A. Not in the sense that it would be a line which we were open to abandon, considering our position alone.

Q. What difference would there be in that respect between those items Nos. 2, 11 and 31 that you have just referred to?—A. Those were lines that were non-competitive and which were thin traffic and had no element of competition in them or of duplication, so that we were free of our own initiative to abandon them without reference to the other railroad.

Q. So that they would be in the same position, in that respect, as Nos. 49, 60 and 61?—A. Yes, exactly. The basis of classification has shifted. There may be a competitive line which has little traffic on it, but as I understand it the expression "thin traffic" was intended to mean those lines which the Canadian Pacific, without reference to its competitive position, could of its own volition abandon. There are some lines that have very little traffic on them that we have to keep in existence to preserve our competitive situation.

Q. And that one, No. 3, Chipman to Norton, is in that category?—A. Yes, sir.

Q. And what about No. 10, Cap de la Madeleine to Grand Piles?—A. Yes, sir.

Q. The same position?—A. Yes, sir.

Q. That is 27 miles.

By Hon. Mr. Dandurand:

Q. It has a competitive feature?—A. The proposal made by us with respect to No. 10, Cap de la Madeleine to Grand Piles, was that the traffic from the branch line will be diverted to the Canadian National Quebec line at Garneau and the Canadian Pacific parallel line; so there would be a competitive feature there, precisely.

Q. What did you do to get rid of those 27 miles which you indicated as forming part of your 5,000 miles that can be abandoned?—A. We propose, sir, that if the 27 miles were to be abandoned the traffic would be diverted to the Canadian National and to the Canadian Pacific parallel lines.

By Mr. Biggar:

Q. In other words, that was one of these lines that you felt that in order to maintain your competitive position you had to retain, except in the event of unification?—A. Precisely. And we showed in our statement that we intended

[Mr. T. C. Macnabb.]

under unification to use the facilities of both the National and the Pacific, under unification, to take care of the traffic that is now handled by this particular line.

Q. The next that is on this list, No. 12, Farnham to Stanbridge, that was part of the 2,098, and it has been abandoned, I understand?—A. No. The proposal there was that the traffic was to go to the two Canadian National parallel lines. That would not be possible under co-operation without some distribution of burden and advantage, which has not yet been discovered. Under unification it would be a perfectly logical thing to do, to let the remaining Canadian National lines take care of this traffic.

Q. I got it mixed up, I think, with Farnham and St. Johns, which is No. 11?—A. That was a Canadian National abandonment which is in effect by co-operation, for which there has been discovered a way of distributing the burden and advantage between us.

Q. And Farnham to Stanbridge is in the same position as others with which you have just dealt?—A. Yes.

Q. The next is No. 13, Farnham to St. Guillaume.—A. That line too was given up its traffic, under unification, to the parallel and crossing Canadian National line.

Q. Just at that point, Mr. Macnabb, will you turn back to Exhibit 37 for the moment, at page 174 of the proceedings, and tell me what if any difference there is between the lines of the class that we are now discussing—Nos. 12 and 13 being an example of them—and the lines that are in part 3 of Exhibit 37, at page 175, where an abandonment would mean a withdrawal from the territory in favour either wholly or partly of the Canadian National?—A. The difference would be this. In, for instance, the Wolseley-Reston territory, where there are two lines, Canadian Pacific and Canadian National, it is proposed to make an abandonment under co-operation, provided that there could be discovered a way of equitably distributing the burden and advantage.

Q. I was not really asking that. Here are cases, in part 3 of Exhibit 37, where either one or other is withdrawing from the territory in favour of the other. That is the position, is it not?—A. Yes.

Q. Is there any difference in the mode of approach to these that we are discussing, like Nos. 12 and 13, and the mode of approach to those that are in part 3 of Exhibit 37?—A. None whatever, in our unification submission. Where there could be discovered a method of abandoning any of those lines under co-operation, it would be quite open to do it.

Q. You used the word "unification" just now. Did you intend to?—A. Yes.

Q. Quite independently of unification, cannot these lines like Nos. 12 and 13 be dealt with in exactly the same way as those in part 3 of Exhibit 37?—A. Precisely, if there could be a balancing arrangement discovered.

Q. There must be a balancing arrangement?—A. Yes.

Q. Now, No. 13, Farnham to St. Guillaume, 47 miles, that is the position?—A. Yes.

Q. And No. 15, St. Lin Junction to St. Lin, what about that one?—A. Our proposal there was that the traffic was to be shared by remaining Canadian National and Canadian Pacific lines.

Q. That is in the same position as those others?—A. The same category, sir.

Hon. Mr. CALDER: Does the Act make it mandatory to balance the burden and advantage?

My recollection of the words used in the Act is "equitable division of burden and advantage." I can turn to that right away.

Hon. Mr. DANDURAND: Of course they must not go to the extent of cutting off their nose to spite their face.

Hon. Mr. CALDER: If they deal with one line and the burden and advantage is in favour of one company, then they must find somewhere else to get an advantage the other way.

Hon. Mr. DANDURAND: It is all a question of dickering.

Hon. Mr. CALDER: But eventually a balance must be found, as I understand it.

The CHAIRMAN (Right Hon. Mr. Graham): They will not co-operate unless they do find that.

Mr. BIGGAR: It is section 16 of the Canadian National-Canadian Pacific Act of 1933. It says that the two railways:—

are, for the purposes of effecting economies and providing for more remunerative operation, directed to attempt forthwith to agree and continuously to endeavour to agree, and they respectively are, for and on behalf as aforesaid, authorized to agree, upon such co-operative measures, plans and arrangements as are fair and reasonable and best adapted (with due regard to equitable distribution of burden and advantage between them) to effect such purposes.

Hon. Mr. DANDURAND: That is a direction.

Hon. Mr. CALDER: Under that statute a restriction is placed upon co-operation.

Mr. BIGGAR: I suppose the Canadian Pacific and the Canadian National could say that anything else would be a kind of piecemeal expropriation.

Hon. Mr. DANDURAND: So there has been always an attempt to balance up.

Hon. Mr. CALDER: Yes.

By Mr. Biggar:

Q. Mr. Macnabb, perhaps we can deal with the rest quickly. I will give you the numbers in Exhibit No. 50 and you can tell me if any of them are in a different position from those we have already discussed. No. 16.—A. That is recommended for abandonment. It is actually approved for abandonment under co-operation.

Q. All right. No. 30.—A. That is taken up.

By Hon. Mr. Murdock:

Q. When was that taken up, Mr. Macnabb?—A. 1932.

Q. Before the Act?—A. Yes. After the estimate and before the legislation. I believe.

By Hon. Mr. Dandurand:

Q. But it is in the 5,000 miles?

By Mr. Biggar:

Q. Yes.—A. It was in existence when the 5,000 miles was listed.

Q. It must be in Exhibit No. 31, but I have not checked it. The next is 31. Jarvis-Port Dover.—A. That is an electric line. It is the last, you see. The traffic would have to go to the National under some sort of an agreement.

Q. I see. Thirty-five, Saugeen-Walkerton.—A. That is in the same condition.

Q. Thirty-six, Wingham Junction-Wingham.—A. Over the Canadian National Kincardine branch.

Q. Thirty-seven, Embro-St. Marys.—A. That is in the same position.

Q. Forty-six, Arborg-Teulon.—A. Canadian National parallel line; the same thing.

Q. And 58, Boissevain-Lauder.—A. It would be shared with the National line.

[Mr. T. C. Macnabb.]

Q. The same consideration applies?—A. The same provision.
 Q. Sixty-four, Southall-Neptune.—A. The same situation there.
 Q. Seventy-seven, Vernon-Okanagan Landing.—A. That would involve an arrangement with the National too, because it is tied in with the lake service that we both perform, and we could not leave that branch from Vernon to Okanagan Landing without some arrangement with the Canadian National with respect to Okanagan Lake traffic.

Q. I see. I think that exhausts the 507 miles, with the exception of Nos. 2 and 11, which we have already dealt with, the Bay Shore-Shore Line Junction and the Elkhurst-Windsor Mills line, which you dealt with when we began.—
 No. 30 was also dealt with, sir.

Q. We dealt with all named except those two.—A. Yes.

Q. You were going to give us some information with regard to what we have referred to as degrading a line, what would be the difference in money between high standard line and a degraded line?—A. Included in the estimate of 5,000,000 there was an amount of \$7,000,000 and 5,000 miles on account of abandonment. Of the 5,000 miles of railway the maintenance cost would average \$1,400 per mile. That is the average for those 5,000 miles.

Q. You say it is the average?—A. Yes.

Q. Now?—A. Yes. If it be assumed that only 2,000 miles could be totally abandoned, the savings at that average referred to would be \$2,800,000. The average cost of maintenance on a branch line standard is \$900 a mile. If the remaining 3,000 miles were maintained at that low or degraded standard, instead of the average of \$1,400, there would be naturally savings of the difference between \$1,400 and \$900, or \$500 a mile for the total of the 3,000 miles that are to be degraded, which would mean \$1,500,000. So the total economies, if we base it on the program of abandoning 2,000 miles and changing the standard maintenance of the 3,000 miles from the average of \$1,400 to \$900, would amount to \$4,300,000, as compared with \$7,000,000 included in the original estimate of 5,000,000, or a reduction of the savings by \$2,700,000. So the \$75,000,000 would become \$72,673,000.

Q. You might tell the committee where you got that \$1,400 from. I observe it in his evidence yesterday Sir Edward Beatty refers to maintenance expenditures per mile of line in 1930 as being \$1,672 on the Canadian Pacific and \$1,028 on the Canadian National.—A. This is the average of the lines we have in our list that we propose to be abandoned, and it is only fair to deal with it which we propose to be abandoned, if that is to remain. So we do not use them figures on the average lines in the 5,000 miles proposed to be abandoned.

By Hon. Mr. McRae:

Q. Your average figures, of course, include your high-grade road. That would account for the difference.—A. Naturally, General. This figure naturally conservative.

Q. You are on the thin lines.—A. Yes.

By Hon. Mr. Calder:

Q. How do you get your average, over a period of years?—A. Yes.

By Mr. Biggar:

Q. With actual figures?—A. Yes, sir.

Q. Did that \$1,400 apply to 1930 or to 1937?—A. That would be the average over a period of years as of 1932.

Q. You took the actual figures of the preceding years?—A. Yes, sir.

Q. Because it is true, is it not, that your maintenance figures vary considerably from year to year?—A. Yes, sir.

By Hon. Mr. Calder:

Q. And they will vary according to the line of track?—A. Yes, sir.

Q. Take your mountain section.—A. Yes, sir.

By Mr. Biggar:

Q. But independently of a particular line, the average of the system varies from year to year?—A. Yes, sir.

Q. The \$1,672 of 1930 has fallen in 1937, I understand, on the Canadian Pacific to \$1,207. Do you happen to know that figure?—A. No, I do not know that figure.

Q. We could get it, I suppose, so there will be no difficulty about it.—A. Not at all.

By Hon. Mr. Hugessen:

Q. Would you say, Mr. Macnabb, that, taking a general average, the difference between the maintenance of a first-class line and a degraded line would be about \$500 per year per mile?—A. No. What we say is that within this group of 5,000 miles that is true.

Q. Yes. About \$500 a mile per year?—A. Yes. The difference between the average of this group of 5,000 miles and of maintaining a line to a low standard would be \$500 for each mile.

By Mr. Biggar:

Q. I suppose that spread would be lower when the average system cost was lower, and higher when the average system cost was higher?—A. If we change the basis of the estimate some other figures must be taken. We were dealing with respect to 1932 on the basis of 1930, and these averages emerged.

Q. I see.

By Hon. Mr. Robinson:

Q. Dealing with 1930, you say you are dealing really with averages and not just for the year 1930, as to the cost of these lines.—A. Quite. That we took any unusual maintenance, so we would not take a particularly thin year.

Q. The cost of everything has been quoted as of 1930?—A. Yes.

Q. That did not exactly apply.—A. In taking the average maintenance of that average was spread over to get elements that do not arise in any one individual year. If you wish to get an idea of the story, you can see that rails wear out, and the year you replace them your maintenance is away up naturally because rails cost \$52 per ton. So after putting them in, of course your next year's maintenance is very low. In this average figure we distributed such cost of that, so it would be indicated in the average figure.

By Mr. Biggar:

Q. Exactly. The \$1,400 was your average for the particular 5,000 miles of line which you had in view?—A. Yes, sir.

Q. Therefore you carried it out on that footing?—A. Yes.

Q. Now, I understand that you have an answer to the communication made to the Duff Commission on behalf of the Canadian National, which was referred to by Mr. Fairweather and is printed at page 312 and following pages of the proceedings.—A. If the committee would permit it, I would crave permission to read it.

By Hon. Mr. Horsey:

Q. I should like to ask a question before you leave that subject. Unification. Mr. Macnabb, you estimate that 5,051 miles could be abandoned

[Mr. T. C. Macnabb.]

w, in making up that estimate I notice that 1,705 miles of track would be taken up from the Canadian Pacific and 3,258 miles of track would be taken up from the Canadian National. In other words, the Canadian National at the end would, under unification, be scrambled nearly doubly as much in line as the Canadian Pacific. There is a very big margin between the two estimates. You could not be able to agree, I fancy, to the economy—they do not agree as a matter of fact to the necessity of economies where double their line would be taken up in relation to the portion you are abandoning.—A. That arises, Senator, from the fact that the Canadian Pacific is one transcontinental line, and the Canadian National system is made up of two, with the implications which go with that fact. So, if I may, I will read the letter from the Secretary of the Royal Commission to Sir Edward Beatty as of April 15, 1932:—

DEAR MR. BEATTY.—Upon the instructions of the Chairman, I am sending you, under separate cover, a copy of certain studies made by the Bureau of Economics of the Canadian National Railway as to abandonment of certain sections of their railway lines. These studies were made at the request of the Chairman and he would like to have any comments that you may care to make thereon.

I would ask you to be good enough to return the document at your convenience.

Yours truly,

(Sgd.) ARTHUR MOXON,
Secretary.

And on June 8, 1932, the following letter was sent:—

ARTHUR MOXON, Esq., K.C.,
Secretary,
Royal Commission on Railways and Transportation,
Ottawa, Ont.

DEAR MR. MOXON.—The study made by the Bureau of Economics of the Canadian National Railways in regard to the abandonment of certain sections of their railway, which accompanied your letter of April 15, has been submitted to our officers and their comments are contained in the attached memorandum. The copy of the study is also returned herewith.

Yours very truly,

(Sgd.) E. W. BEATTY,
Chairman and President.

This is a copy of the memorandum that accompanied that letter.

By Mr. Biggar:

Q. You might tell us by whom the memorandum is addressed to Mr. Beatty. There appears to be no signature. The covering letter says, "has been submitted to our officers and their comments are contained in the attached memorandum."

Q. The inquiry is directed as to who the officers were.—A. The memorandum is signed.

By Hon. Mr. Robinson:

Q. Who signed the covering letter?—A. It is signed "Yours very truly, E. W. Beatty, Chairman and President."

By Hon. Mr. Haig:

Q. Read the memorandum.—A. (Reading):—

Of the 3,162 miles of railway discussed by the Canadian National Bureau of Economics, 1,423 miles were suggested for abandonment in the exhibit which accompanied the Canadian Pacific statement on unification. As to the retention of 1,739 miles, there is no difference of opinion, and that mileage may be dismissed from present consideration.

The studies made by the Bureau proceeded on the assumption that the two systems would continue to be operated as independent units. Each section is examined as to its relation to the Canadian National as a whole, and as to its value in the economic life of the country. Strategic considerations, while not obtruded, are clearly in mind. A case is presented for the retention of both Canadian National lines between the Prairie Provinces and Eastern Canada, although there, if anywhere in North America, the railway facilities are grossly in excess of the requirements of local and through traffic. The only justification for continuing the operation of both lines would be the necessity of maintaining a competitive equality with the Canadian Pacific. In the memorandum read to the Board on February 19 the difficulty of avoiding a clash of interests when considering the joint use of certain lines and the abandonment of others, was neither ignored nor minimized. The instance quoted serves to confirm the belief that only through unified control can a rational program be evolved and followed to a conclusion.

When any section of line has been in operation for a period of years, even though it traverse what is virtually a wilderness, it cannot be eliminated without inconvenience to some. One of the difficulties in administering our country has been that individuals and industries will persist in establishing themselves remote from markets, and then will expect railway services and railway rates to correct their geographic disability. Every new railway built has been a challenge to the adventurous and has usually led to the injudicious multiplication of industrial plants, and very often to the cultivation of inferior land.

By Hon. Mr. Parent:

Q. You are not referring to the Lake St. John railway?—A. (Reading):—

It will not be disputed that a proportion of our railway mileage has been built in the wrong places, and in advance of its time, and that our railway plant is too extensive and too costly for a nation of less than eleven million people. If we are to adjust our facilities to our reasonable requirements, some lines will have to be discarded and it only remains to select those that can be sacrificed with the least disturbance to trade and with the least hardship to individuals.

Q. A good principle, but hard to apply?—A. (Reading):—

Those who finally make the decision must expect their judgment to be questioned, and their motives to be suspected.

As stated in the opening sentence 1,423 miles of track suggested for abandonment are dealt with in the submission of the Bureau. I am not convinced that a sufficiently strong case has been made out for retention. The lines in question are the following:—

Diamond Junction to Pacific Junction, 444 miles—

Hon. Mr. PARENT: Thank you.

The WITNESS: (Reading):—

The Canadian Pacific officers suggested taking up 371 miles, leaving the sections between Edmundston and Cyr, and between Chipman and [Mr. T. C. Macnabb.]

Pacific Junction. It is conceded that the two lines to be retained (the Intercolonial and the Canadian Pacific short line) could handle all the present through traffic and the probable increase for many years to come. It is further admitted that if the rails were removed, the total number of people who would be left at a greater distance than ten miles from the remaining lines would be 30,000. A considerable number of these would be tributary to the sections which, under the Canadian Pacific proposal, would be retained. Even accepting the figure of 30,000 it would hardly seem necessary to maintain 371 miles of track for their accommodation. The main industries to which reference is made would still be directly served, or would be within reasonable distance of shipping facilities. In connection with this line and several others, stress is laid on service necessary for the lumber industry and the capital invested in sawmills. Except where located on main arteries such as the Ottawa river, where logs can be floated down through tributary streams from the timbered country, or at seaports such as Vancouver where logs are rafted in from all directions, sawmills in this country are of temporary and flimsy construction, so designed that the machinery can be moved as the nearby supply of raw material is exhausted. It is not a matter of great difficulty or expense to move and re-erect these plants on other lines of railway, and a study of the map would indicate that in the present case all timber could be made available for manufacture on the Intercolonial Railway. If the originating local traffic can be handled, without undue loss, there remains to consider only the advantages of the line as a through route. The figures quoted indicate that it is not extensively used. In giving evidence in a Maritime freight rates' case before the Board of Railway Commissioners in 1927, an officer of the Canadian National said that the line was not equipped for a traffic movement of any serious dimensions (Proc. B. R.C., Vol. 504, pages 5148-51). It is our information that no substantial improvement of facilities has been made since that time. Attention is also directed to the report of the National Transcontinental Railway Investigating Commission, Sessional Paper No. 123 4 George V, 1914, page 138. The line has been in operation for nineteen years. If in that period of time it has not been found necessary to make substantial use of it, and if we accept the admission that the remaining lines are capable of carrying present and future traffic, we may discount heavily its value as a necessary link in the chain of national communications.

National Transcontinental, Transcona to Nakina, 496 miles.

Grank Trunk Pacific, Lake Superior Branch, 159 miles.

The Canadian Pacific proposal is that the through traffic between the prairies and the head of Lake Superior be routed over the Canadian Northern main line (through Fort Frances), and that the overflow be handled on the Canadian Pacific double-track line. There is sufficient capacity for all present traffic, with an ample margin for the growth which may be expected over a term of years. This fact is admitted by the Bureau, and retention, therefore, could only be justified by local necessities. It is stated that about 3,750 people are entirely dependent on the line for railway transportation. Included amongst these are fur trappers who find it possible over the vast northern territory to pursue their calling without railway service. The annual wealth production, exclusively tributary, is placed at \$1,900,000, of which \$500,000 consists of furs and the balance of lumber products. It can hardly be argued that 655 miles of railway should be maintained to provide for the resultant traffic. The furs can be brought, without

difficulty, to the Canadian Pacific, as was done for a generation before the Transcontinental was built. A large block of the timber is controlled by operators at Kenora, and will be brought there for manufacture by means of logging railways which are already projected. The mining district near Red Lake is largely served now by air, and the machinery can just as easily operate from bases on the Canadian Pacific. The Minaki resort can be served by steamboat from Kenora.

Canadian Northern Railway, Long Lac to Capreol, 397 miles.

If the National Transcontinental is retained east of Nakina as suggested by the Canadian Pacific, this third line is superfluous. The volume of through traffic is so light that it can be moved with ease over the Transcontinental and the Canadian Pacific main line (partially double-tracked). The estimate of population exclusively tributary to this line, in the light of the 1931 census return, seems to be generous. Such people as there are are largely concentrated in sections which can be easily and economically served by the Temiskaming and North Ontario Railway, or by the two main lines to be preserved.

By Hon. Mr. McRae:

Q. May I interject a question in respect to that line? The gold development in the Little Long Lac district rather changed that situation in the five years or so?—A. It may have.

Q. I think it is vastly changed. I doubt very much if portions of that line could be discarded now.

Hon. Mr. MURDOCK: They are proposing to leave that portion from Nipigon to Long Lac. There is no proposal to take that up now.

Hon. Mr. McRAE: No, I should not think there would be.

The WITNESS: The memorandum goes on:—

As the line almost throughout is located north of the height of land dividing the lake Superior and Hudson's Bay watersheds, the timber could apparently be brought at small cost to the Transcontinental for manufacture. Future mineral development, if any, could be provided for through the building of spur lines. Of the three lines between the west and the east, this was the last to be constructed; it presents the poorest prospect for tonnage development, and it is the one which can be abandoned with the least expense and inconvenience.

By Hon. Mr. Parent:

Q. Which one in particular do you refer to. How many miles would it comprise?—A. The Canadian Northern Railway, Long Lac to Capreol, 397 miles. Then the memorandum says:—

In the statement made on February 19, 1932, reference was made to the cost of the removal and re-erection of industrial plants and warehouses now located on lines to be abandoned. Considerable emphasis is placed on this item of expense by the Bureau, but our information leads to the conclusion that the cost would not be sufficient to cast doubt on the wisdom of dispensing with lines which are otherwise superfluous and which, after years of trial, have failed to justify their existence.

By Mr. Biggar:

Q. Mr. Macnabb, can you identify with certainty the study that the memorandum referred to as that which was enclosed in Mr. Moxon's letter to Mr. Beatty?—A. I personally?

Q. Yes.—A. No.

[Mr. T. C. Macnabb.]

Q. It is suggested to me that the study that is there referred to is not the study to which Mr. Fairweather referred and which is printed at pages 312 and following, but an entirely independent study prepared by the Bureau of Economics of the Canadian National under date of April 7, 1932, which deals with, I think, eight lines, of which four are not proposed to be abandoned either in exhibit 50 or in exhibit 42.—A. Can we have that study filed, that you speak of?

Q. If the committee wants it. Four of the lines dealt with in it are not in either exhibit 42 or 50, and four are wholly or partly within the 5,051 miles. Who would be in a position to identify accurately the study to which that memorandum refers?—A. The study went back. The letter from Sir Edward to Mr. Moxon says, "The copy of the study is also returned herewith." Outside of the Bureau or the National, I cannot say, just now.

Q. It would have to be somebody in the Canadian Pacific organization who could tell us what it was that was received in return?—A. Mr. Moxon, I should think, because in the letter of June 8 from Sir Edward to Mr. Moxon, it is stated, "The copy of the study is also returned herewith."

Hon. Mr. MORAUD: What are those lines?

Mr. BIGGAR: The lines that are included in this are: Pacific Junction to Diamond Junction, which is only partly in the 5,051 miles; Matapedia to Montoli, which is not in that \$5,000 miles at all; Hervey Junction to Nakina, which is likewise not in the 5,000; Nakina to Transcona, which is in the 5,000; Conmee to Superior Junction, which is in the 5,000; Long Lac to Nipigon, which is not in the 5,000; Capreol to Long Lac, which is in the 5,000; and Red Junction to Prince Rupert, which is not in the 5,000. We shall have to deal with that study.

The WITNESS: My recollection is that Mr. Yates accompanied the commission. I know he was there. He doubtless could tell you, Mr. Biggar.

By Hon. Mr. Moraud:

Q. Do you still persist in saying to-day that we could abandon any of those lines mentioned in the memorandum, including from Edmundston to Diamond?

Mr. BIGGAR: Mr. Macnabb told us last night, Senator, that he did not know about the present-day situation.

Hon. Mr. MORAUD: But the public is under the impression that to-day we can abandon those 5,000 miles.

Mr. BIGGAR: I quite agree. I think we shall have to have somebody who can speak about it, if possible.

Q. But you said last night that you had not any more familiarity now than you had in 1932?—A. Our position with regard to abandonments is that to-day 5,000 miles is a fair measure of the possible line abandonments, under unification, the same as it was then, though I am quite prepared to say that with respect to individual lines there would have to be a change in view of the developments since that time and now.

Q. But so far as you personally are concerned, you are not prepared to give us any personal opinion about 1938?—A. None whatever.

Q. You are expressing the Canadian Pacific view?—A. Yes.

Q. But you have no particular information upon which to base it yourself?—A. No study has been made, sir.

Hon. Mr. PARENT: I presume you will not forget Mr. Macnabb's statement yesterday to the effect that most of his energies have been directed to the western part of the country, and that he has not been engaged so much with regard to our own part, the eastern section. So perhaps he would not be able to give a fair judgment of the situation there.

The WITNESS: The agent at Edmundston reports indirectly to me.

By Hon. Mr. Moraud:

Q. What is the distance between the two lines down there? You ought to know that?

Hon. Mr. PARENT: How can he? It is entirely Canadian National. The Canadian Pacific do not know very much about that, apparently.

By Mr. Biggar:

Q. Perhaps you can explain it, Mr. Macnabb? There is a joint piece of line, is there not, that runs out of Edmundston?—A. It just happens that in my capacity as General Superintendent I had a great deal to do with making an arrangement for the use of a piece of the Transcontinental between Cy Junction and Edmundston. That joint operation is now in effect.

Hon. Mr. McRAE: Mr. Chairman, if I may be permitted to say so, it seems to me we are placing too much stress, too much importance, on abandonment. If unification were put into effect, abandonments would account for only ten per cent of the estimated savings. I have no doubt that abandonments would be proceeded with very slowly, and I think it is well that this should be so because in pioneer districts it is impossible to tell what the ultimate development of the country will be.

Hon. Mr. MORAUD: Quite right.

Hon. Mr. McRAE: It does seem to me, Mr. Chairman, that we have been placing too much stress on this one feature, which would represent only ten per cent of the possible savings.

The WITNESS: And if I may say so, 2,000 miles is in both estimates which would reduce it ten per cent.

Hon. Mr. DANDURAND: The responsibility is upon the shoulders of Sir Edward Beatty, who has never ceased during these last few years to claim that 5,000 miles of railway could be abandoned; he was the author of that statement and also of the statement that \$75,000,000 could be saved. Now that idea is in the public's mind, but we have found lately that but a negligible proportion of this could be achieved.

Hon. Mr. McRAE: Quite so. But we know now that abandonments represent only ten per cent of possible savings, or \$7,500,000.

Hon. Mr. CALDER: The trouble is, as Senator Dandurand has just intimated that the public have an entirely wrong impression. They have attributed the possible \$75,000,000 entirely to the abandonment of 5,000 miles. But more savings can be obtained with regard to maintenance than with regard to abandonment of these lines, as I understand it now.

The WITNESS: Yes.

By Hon. Mr. Calder:

Q. And rerouting of traffic would produce more savings?—A. Yes.

Hon. Mr. HAIG: I do not think you were here the other day, Senator McRae, when it was said that other men are coming to give us information about maintenance, and so on.

The CHAIRMAN (Hon. Mr. Beaubien): Senator McRae, in answer to your suggestion, Colonel Biggar tells me that that phase of our investigation is practically finished.

Hon. Mr. McRAE: If it is finished, I then want to record my suggestion. It is that there has been too much importance placed upon abandonments. Abandonments should be proceeded with very slowly, as I am sure they would be. Many of the lines that it is now expected would be abandoned, would probably not be abandoned at all. Speaking with regard to my own province

[Mr. T. C. Macnabb.]

an tell Mr. Macnabb that the suggestions he has made are absolutely practical; they would inconvenience nobody, and in the interests of economy they could be carried out. The mileage affected is not great. It is obvious to me that some abandonments should be made.

Mr. BIGGAR: I have finished with this witness, Mr. Chairman, subject any questions by members of the Committee.

By Hon. Mr. Murdock:

Q. If I understood previous discussions of this matter, Mr. Macnabb, has stated that the line between Edmundston and Diamond, 225 miles, which is proposed to abandon, is a better and more serviceable low-grade road for the handling of traffic to the eastern seaboard than either the Intercolonial or the Canadian Pacific short line which you are proposing to continue. What is your view about that, that it would be a more serviceable road to handle freight trains over?—A. It is substantially the same problem as between Winnipeg and the head of the Lakes. The design of the National Transcontinental was very good, and its execution excellent. But there is no doubt that between the points in discussion there is superfluous railway mileage, and in considering which would be abandoned we could not decide it alone on the character of the design of the railway. There were other factors that outweighed the fact that this particular line is a four-tenths line with many grades. And so, in the large picture, although the design was the best, it was not the best one to be retained.

By Hon. Mr. Robinson:

Q. May I develop one thought, with regard to a national question? At the time of the War, could we have handled the freight we did, without that line?—A. I would say yes. But I believe that we shall have later Mr. Neal, who actually was concerned with the physical handling of the business in question, and he can tell the committee to what extent this particular line was mentioned in moving war material.

Q. Could you not bring it over the C.P.R. through Maine?—A. They did.

By Hon. Mr. Hugessen:

Q. Not until the United States came into the war.—A. Only for troops under arms.

By Hon. Mr. Murdock:

Q. Just supposing—and let us pray it may never happen—that Canada was involved in a war again, would the old Intercolonial be able to handle traffic, under the United States neutrality laws you could not do much over the C.P.R. line of 200 miles or more through that country. Could the old Intercolonial reasonably handle traffic, if this line was abandoned east of Diamond?—A. Our decision to abandon was predicated on the use of both lines, the Intercolonial and the Canadian Pacific short line.

Q. But we can imagine eventualities that would not permit you to do a business on the Canadian Pacific short line in case of war.

By Hon. Mr. Parent:

Q. Mr. Macnabb, it never came to your mind that some day or other the United States would get control of that short line on behalf of the C.P.R.?—A. No. Personally I never envisaged that eventuality.

Q. When you talk of Diamond, you realize of course, as does everybody, that this is not very far from Quebec city?—A. Yes.

Q. Diamond is very near Quebec city?—A. Yes.

Q. Near Quebec city you have big ocean liners, like the Empress Britain, the Duchess ships, and so forth. Would it not be to your interest see that those ship are fed with all kinds of freight from the centre of Quebec city?—A. We have the Quebec Central going into Quebec too.

Q. I suspect that the Canadian National may abandon, for a little while this part of the line, but the C.P.R. will get hold of it.—A. Under unification we would be both together.

Q. The more trade we have the more I am in accord with such proposition but I have a suspicion that your mind must be directed towards that—force should be.

By Hon. Mr. Black:

Q. I quite agree that too much emphasis has been put upon abandonment as being the source of savings. I think yesterday Sir Edward Beatty said and you, Mr. Macnabb, said, that with unified management—we will call that—and no abandonment under your proposition, there would be a saving of some \$67,000,000 to \$68,000,000.—A. And with the consideration of the common lines that would be \$71,000,000.

Q. I think it is well to keep that prominently in mind that it may not be to the advantage of Canada to abandon any line.

The CHAIRMAN (Hon. Mr. Beaubien): Any more questions, gentlemen?

Thank you, Mr. Macnabb.

The WITNESS: Thank you, gentlemen.

Mr. BIGGAR: The next witness will be Mr. McNeillie.

R. G. McNEILLIE was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. McNeillie, you are the passenger traffic manager of the Canadian Pacific Railway?—A. Yes, sir.

Q. And you have been so since July 1st of last year?—A. Correct.

Q. And prior to that you had been assistant traffic manager for the past seven years?—A. Correct.

Q. What you are going to direct your attention to is the reduction of passenger train and car miles?—A. Yes.

Q. A subject that is dealt with in Exhibit B attached to Exhibit No. 1 and to be found at page 417 of the proceedings.—A. That is right.

Q. Will you tell us what preceded the making up of those figures, what steps were taken to reach figures of the kind?—A. Well, at the time the figures were made, which was in December, 1931 and January and part of February, 1932, supervision of the same was under Mr. C. B. Foster, former passenger traffic manager, and Mr. Arthur Hatton, both of whom are now retiring owing to having reached the pension age. In getting these figures they gave very comprehensive study to it.

Q. Did you have any part in it yourself?—A. I had no personal part in it.

Q. Then you cannot really tell us how they were arrived at so far as your own personal knowledge goes?—A. No; except this. I have studied the papers in connection with it in the last couple of weeks; also I have had a number of conversations with the men who helped to compile the information on the subject it was done. It was based on the abandonment mileage. First they took the trains from the Atlantic to the Pacific on both roads, and they figured out as well as they could, taking 1930 as the base year, as to just what could be done in eliminating trains under a unified management.

Q. Could you tell from the papers you have examined, and so on, to what extent there was an effort to maintain public convenience, to give the public

[Mr. R. G. McNeillie.]

same kind of service as it was getting?—A. Yes. They endeavoured to maintain throughout a satisfactory service to the public. A great many of the eliminations were in duplicate train services. They took into consideration the duplicate train services between Montreal and Toronto, Montreal and Quebec, and Ottawa and Toronto. These trains were afterwards eliminated through the pool. They went right across Canada, as I say, from one end to the other and endeavoured to take these trains out without inconveniencing the public to too great an extent.

Q. Will you tell us what is the difference between a passenger train mile and a passenger car mile? How are those figured out for the purpose?—A. They are figured out in this way. Take, for instance, Montreal and Ottawa as being 100 miles apart—that is not the exact mileage—and suppose both roads had an equal 100 miles, and they were each running a train consisting of ten cars. The mileage would be 200 for the two trains. The car miles would be ten times two hundred, which would be 2,000 car miles.

Q. Was it taken on the actual number of cars in the train or an estimated number?—A. On the actual number of cars in the train. If you eliminated one train you would say 100 train miles and 1,000 car miles. If you eliminated one train and had to increase the main train by an extra two cars you would still eliminate the 100 train miles and you would eliminate 800 car miles.

By Hon. Mr. MacRae:

Q. As a matter of working it out, by running one train would you not really actually take less than the cars that are in the service for the two trains?—A. That was our hope.

Q. But you did not figure on that?—A. No. If we had four or five sleepers on two trains, there is no doubt, with sleepers on certain days anyway loaded as they are, they could cut out some of the sleepers.

By Mr. Biggar:

Q. That, you say, was not taken into account?—A. No.

Q. I suppose that would be very difficult to take into account because it would depend on the fluctuation of traffic from day to day.—A. That is correct.

By Hon. Mr. Calder:

Q. Does that cover express and mail cars too?—A. Yes, all the cars in the train.

By Mr. Biggar:

Q. There would not be many occasions where you would have to consider putting two or more mail or express cars on one train?—A. No, it would reduce it.

Q. But would the reduction of mail and express cars be likely to be substantial?—A. I would not know as to that.

Q. That would have to be spoken to by somebody else?—A. Yes.

Q. But you can speak possibly of the reduction on account of the daily fluctuations in the number of sleepers?—A. There should be a reduction in the number of sleepers.

Q. Would it be substantial?—A. I think so.

Q. But at all events that has not been taken into account?—A. No.

Q. Did you have anything to do with turning these passenger and car miles into money?—A. No.

Q. That was done by somebody else?—A. Yes.

Q. Have you gone over that estimate contained in Exhibit B?—A. Yes. I went over the estimate which showed a saving of 7,574,454 train miles and 51,793,173 car miles.

Q. Yes.—A. In so far as the car miles figure for to-day is concerned, we do not have time to work that out, but we have the train miles worked out.

Q. You mean the train miles for 1937?—A. Yes.

Q. You mean you have worked that out again on the basis of the 1937 traffic?—A. We have taken rather a picture. We have looked at 1930 from 1937 basis, and realized there were some changes which would have to be made.

Q. And so far as passenger train miles are concerned?—A. I estimate, should be figured out now as about 20 per cent less than the train miles that we figured on in 1930.

By Hon. Mr. Parent:

Q. Does that apply between Montreal and Quebec?—A. Yes, because the pool service is there.

Q. Well, so far as Montreal and Quebec are concerned, when the trains are full all the time, I don't know how much you can do if that does not pay.

By Hon. Mr. McRae:

Q. I think the reduction is due largely to curtailment of train services in the last seven or eight years.—A. That is correct.

By Mr. Biggar:

Q. When you say it would involve a reduction of 20 per cent, are you taking into account the passenger train miles that have already been saved by pooling?—A. No. I am saying there should be a reduction of 20 per cent on the 7,500,000 odd. That is the way we look at the estimate to-day. In other words, about 6,000,000 miles have been saved. Of that 6,000,000 saving, about 1,000,000 miles was made in the pool and about 2,000,000 included in the 1930 estimate is already off, some of it in all probability temporarily, owing to decreases in business. It may have to be put back on again.

Q. The whole 20 per cent would be due to a decrease in business?—A. Very largely, and to the pool.

Q. Did you take account of the pooling or not?—A. The 20 per cent arrived at in this way. There was certain mileage taken off in the study of 1930, but to-day, in looking at it, we figure too much was taken off.

Q. Taken off for what?—A. The estimate for 1930 was 7,500,000. We figure that we took off too much mileage in making that estimate.

Q. Took off what?—A. Train miles. We are reducing the estimate that was made in 1930 by 20 per cent.

Q. You thought that that was too great a decrease?—A. Yes, too great a decrease on the 1930 basis.

By Hon. Mr. McRae:

Q. The 1930 estimate was how much?—A. Seven million five hundred thousand.

Q. And what was the saving in train miles?—A. I haven't got that.

By Hon. Mr. Dandurand:

Q. Was that based on the assumption that 5,000 miles would be abandoned?—A. Yes, sir.

Q. So that estimate may be of value on the day when 5,000 miles of railway are abandoned?—A. If the 5,000 miles are abandoned, it would be but of course there has been a decrease of business since that date too.

Q. But the mileage that will be abandoned is a very doubtful quantity.—A. And this must be taken into consideration. When we were estimating on the 5,000 miles that were to be abandoned—a very large portion of the estimate would still stand—

[Mr. R. G. McNeillie.]

Q. It would be interesting to have that division, because General McRae thinks it will take a number of years before you reach that figure.

Mr. BIGGAR: I am afraid I am not very clear yet about your figures.

Hon. Mr. HAIG: None of us are.

Mr. BIGGAR: I am glad I am not alone.

By Mr. Biggar:

Q. Are you presently criticizing the 7,500,000 train miles as being an underestimate in 1930?—A. No, as being an overestimate.

Q. You now think the saving that would be effected on the basis of 1930 would not be as great as 7,500,000 train miles?—A. That is it.

Q. By how much do you think it was too great?—A. Twenty per cent.

Q. Twenty per cent as of 1930?—A. Yes.

Q. And suppose you were making an estimate now on the basis of present-day traffic, would it have to be further reduced, having regard to the drop in traffic since 1930?—A. As to the situation to-day, you cannot figure it. It would take an exhaustive study such as was made in 1932, which would take weeks. We have not had time to go into an estimate of that kind.

Q. Have you then gone into it sufficiently to determine what difference could be made by not abandoning this 5,000 miles?—A. No, we have not gone into that.

The CHAIRMAN (Right Hon. Mr. Graham): Would it be convenient to adjourn here, Mr. Biggar?

Mr. BIGGAR: Yes, sir.

The CHAIRMAN (Right Hon. Mr. Graham): The Deputy Governor is to arrive shortly, and it has been suggested that we adjourn until to-morrow at 11.15.

Hon. Mr. BLACK: There are several committees meeting to-morrow morning. There were three bills referred to the Private Bills Committee for consideration to-morrow at 10.30.

The CHAIRMAN (Right Hon. Mr. Graham): Then, we will say 11.

The committee adjourned until to-morrow at 11 a.m.

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

INQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 14

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

R. G. McNeillie, Passenger Traffic Manager, Canadian Pacific Ry. Co.
E. G. O'Brien, Freight Transportation Assistant, Canadian Pacific Ry. Co.
C. E. Jefferson, Freight Traffic Manager, Canadian Pacific Ry. Co.

EXHIBIT

52. Details of reductions in freight, mixed and other train miles and freight car miles due to re-routing. (Filed by C. P. Ry. Co.)

OTTAWA
J. O. PATENAUDE, I.S.O.
PRINTER TO THE KING'S MOST EXCELLENT MAJESTY
1938

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1903)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdoch, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, May 26, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham, and Hon. C. P. Beaubien, Joint Chairmen.
Col. O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): Proceed, Mr. Biggar.

R. G. McNEILLIE was recalled and took the stand.

By Mr. Biggar:

Q. Mr. McNeillie, you were speaking about the saving of passenger miles.

Hon. Mr. ROBINSON: Before you proceed, Mr. Chairman, may I say something. I do not speak very often. We get into a little confusion on the lines that are to be abandoned, and I would make the suggestion for what it is worth—it is simply my own idea—that those lines which are to be abandoned be widened on the map in order that they may be clearly indicated to the committee.

Hon. Mr. CALDER: You cannot destroy that good map.

Hon. Mr. ROBINSON: I make the suggestion. I think it would be a good idea. I should like to know clearly just where the lines to be abandoned are.

Hon. Mr. McRAE: I think the idea is a good one.

Hon. Mr. DANDURAND: This is a Canadian National map. I am informed that a map can be prepared that will show the whole of the 5,000 miles that are being discussed.

Hon. Mr. ROBINSON: Just to avoid confusion.

The CHAIRMAN (Hon. Mr. Beaubien): In answer to your question, senator, the Colonel has certainly demonstrated the lines upon which both companies were willing to accept abandonment.

Hon. Mr. DANDURAND: Oh, no. We're willing to study.

The CHAIRMAN (Hon. Mr. Beaubien): I want to be correct to the full extent; I do not wish to bind anybody. There are lists of lines upon which one company was willing to study abandonment, and upon which the other company was willing to study abandonment. When those lists are distributed to us it will be time enough, perhaps, to have your suggestion carried out.

Hon. Mr. ROBINSON: Is there any objection to what I have suggested if I let it done?

Mr. BIGGAR: There is a small map, you know, with all these lines marked. Would that suffice?

Hon. Mr. ROBINSON: It is a small map, is it?

Mr. BIGGAR: Not very.

Hon. Mr. DANDURAND: I am informed that the Canadian National can prepare a map on that scale.

Hon. Mr. McRAE: It has been suggested that this might be done by provinces, and one of the departments could work that up very quickly.

Hon. Mr. DANDURAND: It could be done on the whole map.

Hon. Mr. MORAUD: It is a good idea to have it by provinces, even if it does appear on the large map.

Hon. Mr. BLACK: If we are going to have this at all, Mr. Chairman, I think it should be a consecutive map, to show the connection between the provinces.

The CHAIRMAN (Hon. Mr. Beaubien): I presume we had better go on with the examination of the witness, until we are ready to carry out the suggestion made about the map.

Mr. BIGGAR: Before I go on with Mr. McNeillie, I should say that I have been asked to indicate the character of the evidence that is proposed to be given by Mr. McNeillie and subsequent witnesses. Beginning with Mr. Macnabb, who was here yesterday, and going along to Mr. Jefferson, who will be the third or fourth from now, all the evidence will be dealing with physical economies rather than money economies; and then those physical economies will be turned into money economies by a subsequent witness.

Q. Mr. McNeillie, we were speaking last night about changes that had to made in the estimate of $7\frac{1}{2}$ million passenger train miles that was one of the items of the estimate and is contained in Exhibit B, at page 417 of the proceedings. Would you make clear to the committee what your knowledge of that is and how far that figure of 7,574,454 passenger train miles must now be changed?

Hon. Mr. DANDURAND: I should like to draw the attention of the witness to the fact that we shall need to know upon what lines these savings will take place. We must have some detailed statement, and not a general statement.

The WITNESS: The story of the estimates is a decidedly complicated one. I said yesterday, frankly, that I believe the 1930 estimate was 20 per cent too high.

By Mr. Biggar:

Q. You mean the 1932 estimate?—A. Yes, of the year 1930, that it was 20 per cent too high. In addition to that, I realize that passenger traffic conditions in this country have altered in a way that is permanent, in a lot of cases. And further, independent savings have been made by the two companies which affect future economies. Therefore—and I want to make this clear—I believe to-day that under normal business conditions in Canada the passenger traffic savings-estimate should be taken at $4\frac{1}{2}$ million passenger train miles instead of at the $7\frac{1}{2}$ million miles included in the \$75,000,000 estimate. I tried to make the figure conservative, and I think it is overly conservative.

Q. On what is that based and how did you get it?—A. It does not include the pool mileage. In offering an estimate of \$75,000,000 savings, Sir Edward Beatty did not include the savings that had been made since co-operation. Therefore, the figure of $7\frac{1}{2}$ million miles, used as of 1930, made no allowance for about 1,000,000 miles by pooling.

Q. That is this million miles that have already been carried into effect by the pooling arrangement that has been made by co-operation?—A. Yes. Equally, my figure of $4\frac{1}{2}$ million miles now makes no such allowance.

Q. So from your $4\frac{1}{2}$ million miles figure there must be a further deduction of 1,000,000 miles, speaking from to-day and looking forward?—A. Yes, approximately.

Q. It is almost exactly 1,000,000 miles, is it not?—A. Yes.

Q. It is 972,000, is it not?—A. I feel that we can save $4\frac{1}{2}$ million miles, a compared with $7\frac{1}{2}$ million miles as used in 1930, or $3\frac{1}{2}$ million miles after eliminating the pool. Thus, owing to changed conditions and a more cautious

[Mr. R. G. McNeillie.]

estimate, I did not recommend the use of more than $4\frac{1}{2}$ million miles in obtaining the total saving.

Q. How do you get at the estimate of $4\frac{1}{2}$ million miles, or $3\frac{1}{2}$ million miles after the pool is eliminated?—A. The 20 per cent brings it down to 6,000,000.

Q. Why 20 per cent?—A. Well, after going all over the figures, I figured that they had been over-estimated to that extent.

Q. On what did you base that view? What did you have before you to arrive at that view?—A. I based the view on the belief that they had eliminated too much transcontinental train mileage.

Q. You mean that you had before you time tables or something of that kind?—A. Yes.

Q. And you went over what, the time tables of 1930, or what?—A. I went over the time tables of 1930 and the time tables of to-day.

Q. And going over and doing the same work to-day that had been done in 1932, you eliminated a number of train miles equal to 20 per cent of the $7\frac{1}{2}$ million?—A. Yes. Of course, I did not go over to them to the same extent, because this examination which they made in 1931 and 1932 took from six to eight weeks. I have only had probably about ten days to go over their figures and make an estimate as to what we could do.

Q. I do not quite see how you were in a position in ten days to revise so substantially an estimate that had taken six weeks to prepare.—A. Perhaps I can explain it in this way. In the 1931 examination they were working on the basis of the elimination of the mileage from Transcona to Nakina, and from Long Lac to Beaverton, leaving nothing with which to handle train service. They eliminated that complete transcontinental mileage in there, and they also eliminated a complete train from Winnipeg to the Pacific coast. Now, I figured that we would have to have one transcontinental train, whether the mileage was eliminated or whether it was not. It was in that original picture.

Q. You mean one transcontinental train via Nakina, and from Winnipeg west to the coast?—A. Either that, if that line remained as non-abandoned; or if it was abandoned, that train in order to carry the traffic would have to operate on the Canadian Pacific or whatever line was left to operate on.

Q. I am not very clear now whether your reduction of 20 per cent was made on the non-abandonment of part of the 5,000 miles that was assumed to be abandoned for the purpose of the figure $7\frac{1}{2}$ million estimate, or whether you made the 20 per cent reduction on exactly the same assumptions as had been made in 1932?—A. Well, it was based on whether it was abandoned or whether it was not abandoned. There had to be a train put back in there that had been taken out.

Q. You mean you put back a train, for the purpose of getting your 20 per cent reduction, on that line that in 1932 it was assumed would be abandoned?

—A. Yes—well, put it this way, that when they made this original estimate they assumed that that line was going to be abandoned, and assumed that they took the train service off it altogether. I took the stand that if the line was abandoned it still meant that there had to be a train which would operate on the Canadian Pacific to carry that traffic. Now, there were two trains operating at that time over the Canadian National lines to the coast.

Q. Will you stick to the first part? I am still not clear about it. You still assume that this line that you are speaking of was to be abandoned, but you thought that the Committee in 1932 had not provided on the non-abandoned line, the duplicate line, the Canadian Pacific line, as much train service as would be necessary?—A. That is correct.

Q. And consequently, for reasons of that kind, you reduced it by 20 per cent?—A. Yes sir.

Q. What other cases were there besides this of the abandonment of line, Nakina to Winnipeg, and so on?—A. On that line, as I say, there were two

trains per day operating west of Winnipeg. They also eliminated one of those trains west of Winnipeg, which I did not change at all.

By Hon. Mr. Calder:

Q. It means this, you have two lines of railway?—A. Yes, sir.

Q. To-day they are carrying certain cars. If this line is dropped, then the train used on this line must go over on the other line?—A. One of the two. There were two trains in there.

Q. I mean one train on each track.—A. No. As a matter of fact there were five trains in the summer of 1930 between Sudbury and Winnipeg, three Canadian Pacific and two Canadian National.

Q. Supposing this line is abandoned, one of the trains would have to be moved to the other?—A. Yes.

Q. How many?—A. One.

Q. Only one?—A. Yes, sir.

By Mr. Biggar:

Q. What difference did that one make in the number of miles?

Hon. Mr. BLACK: After all, Mr. Chairman, are we getting anywhere with all this detail?

Hon. Mr. DANDURAND: Senator, the C.P.R. must make out its case. It has claimed that there could be savings of \$75,000,000. Now we will test every one of those statements having to do with that saving. Mr. Fairweather said that under either system, co-operation or unification, he could not see 5,000 miles of abandonments.

By Mr. Biggar:

Q. Mr. McNeillie, could you not supply the committee with a memorandum indicating exactly how your four and a half million miles was made up?—A. Yes, sir.

By Hon. Mr. Dandurand:

Q. Would it not be better to have it in the form of a statement instead of talking about it? You can cover each and every line where there will be a saving. It is all predicated on the 5,000 miles?—A. No, sir.

By Mr. Biggar:

Q. Mr. McNeillie, we want a statement of what actual trains disappeared, the number of train miles that each disappeared train meant in the way of savings, and how much of that four and a half million miles would not be saved if there were no abandonments at all. Or would you like to have it, Senator, on the basis of the number of miles that would not be saved if only 2,000,000 miles were counted?

Hon. Mr. DANDURAND: I think we should be able to break that figure down to cover the whole railway system. There are so many million miles to be saved: where are they to be saved?

Mr. BIGGAR: On the system as it stands to-day without the abandonment of any of the 5,000 miles?

Hon. Mr. DANDURAND: Yes.

Hon. Mr. McRAE: I am rather of the same opinion as Senator Black. I fear if we get into too much detail we shall get lost in the maze of savings. As the witness has stated the case, the original seven and a half million miles is reduced to four and a half million miles, less the million already put into effect. So we have got down from seven and a half million to three and a half million—

[Mr. R. G. McNeillie.]

omewhat less than 50 per cent. Just how far you want to go in developing what composed the three and a half million miles is not so important to me, for the net figure is three and a half million against seven and a half million—a very drastic change. As to just how that three and a half million is made up, I am frank to say that after you had gone clear across the continent I would have nothing else in my mind than the three and a half million against the seven and a half million.

Hon. Mr. DANDURAND: But, General, it seems to me it should be easy for a witness who comes here to tell us there will be three and a half million miles saved, to explain how he breaks that down, and how it is to be saved.

Hon. Mr. McRAE: If the Committee wishes to have the figures broken down, it is all right.

Hon. Mr. DANDURAND: We want the figures rather than generalities.

Hon. Mr. McRAE: I think the production of a statement which we could study would be better than going into all the figures. If he submitted a statement of what composed the three and a half million miles, I am frank to say that if we spend two or three hours on it here we shall be in a maze of figures, and we shall forget them by the time the other side of the question is presented.

Hon. Mr. DANDURAND: I feel that way too. The witness could furnish a statement of the savings.

Hon. Mr. MURDOCK: One thing some of us won't forget. We have been told repeatedly for several years by certain informed individuals and by certain Charlie McCarthys that \$75,000,000 can be saved. Now then, surely as representing the Senate of Canada we want to know the facts, we don't want to buy a pig in a bag. Maybe some of us would be willing to do that, and take somebody's word for it. But is that fair to the people of Canada? Is that fair to the settlers and the business men in the far-flung spaces of Canada, who were induced to go in there? Let us get the facts.

The CHAIRMAN (Hon. Mr. Beaubien): Senator Murdock, surely you are a little bit too early to make complaints, for we are taking item by item now.

Hon. Mr. MURDOCK: I resent, Mr. Chairman, if I am properly informed, the desire of two or three, maybe, or more, to shut it off and take somebody's word or it.

The CHAIRMAN (Hon. Mr. Beaubien): No; they want a list of every mile of line.

Hon. Mr. MURDOCK: All right. Let us get the facts.

The CHAIRMAN (Hon. Mr. Beaubien): That is what we are doing.

Hon. Mr. BLACK: Don't accuse other people.

Hon. Mr. MURDOCK: I am calling attention to what I regard as an unfair attitude towards the Canadian people. I say again, there are some gentlemen ready to take somebody's word for it.

Hon. Mr. DANDURAND: That leads us nowhere.

Hon. Mr. BLACK: We are not taking the word of any Charlie McCarthys.

The CHAIRMAN (Hon. Mr. Beaubien): We shall only get through our work if all the committee is in accord to do that, and forget the rest—particularly political speeches.

You are satisfied with that, Senator Dandurand, to have a list showing the miles that can be allotted, so to speak, of every line?

Hon. Mr. DANDURAND: Covering those three and a half million miles.

The CHAIRMAN (Hon. Mr. Beaubien): Covering the amount of mileage that can be dispensed with.

Hon. Mr. HARDY: The list to be supplied to each member of the committee.

The CHAIRMAN (Hon. Mr. Beaubien): Certainly. Is that satisfactory you, Senator Murdock?

Hon. Mr. MURDOCK: Get the facts.

Hon. Mr. CALDER: The statement will be printed in the proceedings, I presume.

Hon. Mr. DANDURAND: I suggest that when we get those figures we must ask the witness questions in relation to them.

The WITNESS: As I understand it, you want details of the savings 3,500,000 miles?

By Mr. Biggar:

Q. Yes. Can you prepare that statement for us by Tuesday?—A. Yes.

By Hon. Mr. Moraud:

Q. And showing how much is represented in money?

By Mr. Biggar:

Q. If you will let us have that statement Mr. O'Brien, on Monday, I think can dispense with any further examination now.

Hon. Mr. MORAUD: If he files a document showing what the savings represent in miles, he should also show what those savings represent in money.

By Mr. Biggar:

Q. Mr. O'Brien, is there any reason why to that statement which you prepare, and which is made on your responsibility, with respect to the number of miles, you should not in another column put the amount of money that the number of miles represents?—A. If I can obtain that information.

By the Chairman (Hon. Mr. Beaubien):

Q. What it amounts to in dollars.—A. It will be about \$1 a mile.

By Mr. Biggar:

Q. You did take it at \$1 a mile?—A. That is the rough average.

By Hon. Mr. Murdock:

Q. It can only be an estimate.—A. Yes. Some trains will be less than some more. That is all it can be, an average.

By Mr. Biggar:

Q. We are told the train mile average is \$1.—A. About.

Q. All right.

Hon. Mr. COPP: It strikes me, Mr. Chairman, that in addition to the statement showing how you save the 3,500,000 miles, that we should also have one as to the first claim that there would be a saving of 7,500,000 miles.

By Mr. Biggar:

Q. The difference between the estimate of 1932 and the estimate you are making?—A. Yes.

Q. You could easily give that in a separate column—A. Yes.

Q. Then we will continue on this subject of passenger train miles on Tuesday.—A. All right, sir.

Mr. BIGGAR: The next witness is to be Mr. E. G. O'Brien, who will deal with the freight car miles and the mixed train miles. That relates to Exhibit to Exhibit 49, which is to be found on page 418 of the Proceedings.

[Mr. R. G. McNeillie.]

E. G. O'BRIEN was called as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. O'Brien, you are assistant to the General Superintendent of Transportation of the Canadian Pacific?—A. Yes, sir.

Q. And you have been in the Transportation Department of the Canadian Pacific for 36 years?—A. For 36 years, in various branches of the work in the Transportation Department.

Q. You were going to direct yourself to the accuracy of the figures in Exhibit C to Exhibit 49, that is at page 418 of the Proceedings, which relate to freight, mixed and other train miles, and freight car miles. I imagine that the first heading is intended to exclude purely passenger train miles.—A. Yes, sir, the passenger train miles do not come into this computation in any form.

Q. The first three lines of that exhibit represent the actual number of train miles and of freight car miles by the Canadian Pacific, the Canadian National and the Northern Alberta Railway in 1930. Then there are five items of reduction, of which a total is given, and in the last line but one a revised total with the deductions, and finally there is a percentage reduction. Now, Mr. O'Brien, you have heard the discussion here. Have you got the material upon which those figures were based?—A. Yes, sir, the details of it, and I think I can give you the information as to how it is made up.

By the Chairman (Right Hon. Mr. Graham):

Q. Is the Northern Alberta, which is mentioned here, the line that is operated by both railroads?—A. At the present time it is jointly owned by the Canadian Pacific and the Canadian National.

By Mr. Biggar:

Q. I see you have a document before you. Is it possible for the committee to follow what you have to say without having copies of that document?—A. The document at page 418?

Q. What you are going to deal with.—A. I do not think they have the details other than what is shown on page 418. They are not in the C.P.R. submission.

Q. Is it possible for the committee to follow what you have to say without the additional material?—A. I think so, sir. If it meets with your wishes, I will indicate it on the map.

Q. We can try that.—A. All right, sir.

Q. Now, before you go on, perhaps you had better tell us what was your share in the preparation of this material in 1932.—A. For 1932 the work was subdivided, and that which was assigned to a committee of which I was a member was the preparation of the savings in mixed train, freight and car miles—mixed train miles, freight miles and freight car miles. On the committee with me at the time were Mr. Bowles, who was then Special Traffic Representative of the Canadian Pacific and who had been located at various points throughout Canada and was able to bring us a good deal of information as to traffic conditions. There was also Mr. Liddy, our General Statistician, who compiles the figures as to all the statistics. From my own experience as Inspector I knew most of the terminals and the train services throughout Canada. We felt that combined we could bring sufficient knowledge to bear on the subject to calculate fairly closely what the estimates were in connection with this particular feature of the submission.

Q. And during how long were you working at it?—A. Speaking from memory, I think it took approximately six weeks. In normal working time it would be very much longer; there was continual night work during the six

weeks. The items were gone over individually, each situation was studied from every bit of data we could secure. That is, it was not an estimate.

Q. You mean it was as near an accurate prediction as you could make for the future?—A. For the future, and we had what we considered the best information available.

Q. And still speaking generally, have you had occasion to see whether that estimate made in 1932 in the way you suggest requires revision to-day having regard to the lapse of six years since it was originally made?—A. As to whether it requires revision? If anything—or positively, there would be greater saving.

Q. I was not asking about saving. But have you made any examination of the figures recently to see whether they require variation?—A. We have gone over the figures, but we did not have the time we had in 1932. I have, however, in collaboration with the committee, checked them over very carefully—not so far as getting all the detailed data we had at that time, but we have studied the work we did at that time and the data available at that time.

Q. And what information had you either in 1932 or subsequently with regard to the Canadian National lines?—A. With regard to the Canadian National lines and traffic we have a fairly accurate estimate. I might point out that at seaports we know exactly what traffic in grain they bring in. That is published in connection with the elevator reports, say, at Vancouver, Fort William and various other points. Through reports published by the various associations such as the Canadian Railway Association, the Demurrage Committee and the American Railway Association we have figures as to total car loadings. Then, through contact with the men of the Canadian National, we get a fair estimate. Furthermore, our traffic people have to make a constant study, and we had a traffic representative who was in a fairly good position to give us the information as to the Canadian National. In some cases we have exact figures, but anybody in transportation work knows fairly well what the other line is handling.

Q. I suppose it is part of the business of each line to know what the other is doing?—A. Necessarily so.

Q. So you felt you had fairly good information with regard to the Canadian National, and you had all the information there was with regard to the Canadian Pacific?—A. We had exact information in car miles, train miles and ton miles, and how they would apply to the particular feature we were studying at the time. We knew that exactly.

Q. Will you go on from there and tell us how you get at these figures that are on page 418?—A. In trying to organize our work the first thing was to item of train miles on abandoned lines. That was a definite study. We were given a statement of what lines it was decided or proposed to abandon; therefore we had a definite study of the mixed train miles, which goes into this study on those lines. We had working time bills, and the published folder of the Canadian National Railways, which gives the information as to passenger train services and shows whether it is a mixed or passenger train. Then we had working time bills which show authority for operating train miles; then fast freight books. On the abandoned lines you eliminate train miles where the train is no longer run; but the traffic that moves over that line has to be transferred to the retained line. That increases your train miles on the retained line, and that was taken into consideration in the abandoned line.

By Hon. Mr. Dandurand:

Q. Did that cover all the 5,000 miles supposed to be abandoned?—A. Covered definitely all the miles supposed to be abandoned.

[Mr. E. G. O'Brien.]

By Mr. Biggar:

Q. You assumed the abandonment of the 5,000 miles?—A. But as far as it is concerned, it would only affect the figures as to mixed and freight train miles on abandoned lines.

Q. Quite, but you are telling us now how you proceeded to get at those figures.—A. The second thing we studied was the shorter mileage available after amalgamation, the use of better grade, regardless of shorter mileage, and finally, the balancing of loaded car traffic which now moved in one direction on a railroad and in the opposite direction on the other.

Q. Would you explain that?—A. We would find on occasion, where the Canadian Pacific full trains are normally moving from Montreal to Toronto, therefore your light trains are moving east on the Canadian National, but the condition changes from time to time. But should one road secure a large quantity of grain from the bay ports to Montreal, it would reverse the direction of movement, and your full trains would be moving east instead of west. You might find this condition, that the Canadian Pacific would have full freight trains moving west while the Canadian National had full freight trains moving east.

Q. What happened in each case with regard to the reverse movement?—A. In the reverse movement the trains would be crossing lightly loaded in some cases, on the unified system, as compared with operation of two independent systems. As to the shorter mileage available under agreement, if I may be allowed to say, I would like to point that out on the map.

Q. Yes, do, by all means, indicating where those advantages could be secured.—A. There is quite a movement on both lines known as interstate traffic, coming from the central states to New England. There is not a great deal of difference in the question of the haulage from Detroit or Sarnia to Montreal.

Q. You mean as between the two railways?—A. Yes. There is a better single and double track on the Canadian National; it is slightly better. But where you get a case that would probably bring this clearly out is in the movement in the vicinity of Cornwall or St. Polycarpe or Coteau down into New England. You will note that the Canadian National, indicated by this red line on the map, has almost a direct route down into New England. This route follows the water grade, and it is a route on which heavy trains and heavy cars may be handled; whereas on the Canadian Pacific, moving from this point (indicating), they come into Montreal, then they move east to a place called Farnham. Between these two points the grade is fairly good and comparable with some of the better grades. But once they get to Farnham they have to move over a mountain range into New England, and you will note that in order to do that the line comes down here in a Z shape and comes up across the border several times and then falls down into New England. Over the mountain range on the Canadian Pacific it takes two locomotives to haul about half of what one locomotive will haul on the Canadian National. The distance is approximately 51 miles longer. But when we get down to this point, Wells River—

Q. That is where you turn it over to the Boston and Maine?—A. Yes, and they haul it 40 miles to White River Junction. That mileage, of course, should be added, though it is not now in the Canadian Pacific figures.

Q. And when you get to White River Junction you have got to the end of the Canadian National line?—A. Not quite the end, but practically. They do come to points south.

By Hon. Mr. Calder:

Q. You are talking of freight for west to Chicago, not of Canadian freight?—A. No, not Canadian freight, but interstate freight hauled by the Canadian railways. There is a movement in both directions: traffic from New England to the West and from the West to New England.

By Mr. Biggar:

Q. When you say "New England," you are using a wide expression, for you are not talking of the southerly New England states, are you?—A. I am talking of the entire distance east of the Hudson river. It may seem strange, but there is a considerable traffic moving from points in here (indicating on map) from Connecticut through to east of Chicago.

Q. You turn off the main line of the Canadian Pacific at Farnham instead of going on across the state of Maine?—A. We turn off the Maine line at Farnham, yes sir. You see this small "Z" here (indicating).

By Hon. Mr. Dandurand:

Q. Does the traffic move to a port on the Atlantic?—A. No sir. There may be some portion of it moving to a port; there is some of it moves by water to New York, or from New York via water to these New England ports, New London or Boston, and then moves west through Canadian territory.

By Mr. Biggar:

Q. Just to carry it one step further, suppose there is Canadian National freight of the kind that you speak of, moving in the way you speak of, either east or west—take it east, first. You spoke of the traffic turning off at Coteau and going down towards White River Junction?—A. Yes.

Q. But suppose it was going to Boston?—A. That would be the normal route. There is some traffic which moves through the Niagara gateway, but the traffic we are discussing is that which comes through Canada in the vicinity of Montreal. Now, sir, if you equate that in ten miles and distance, if you were to take one train on this Canadian National route and divert it through the Canadian Pacific route down to Farnham, Newport and Wells River, it would give the equivalent of 292 additional train miles for each train. It is saving of that kind that are included in the rerouting of trains.

Q. You mean that the Canadian Pacific trains could follow this line and they would save 292 miles for every train?—A. Yes.

By Hon. Mr. Robinson:

Q. Train miles?—A. It is 292 miles for each train in distance. And that means, as the train has to return, it would be a total of 584 miles.

By Right Hon. Mr. Meighen:

Q. For each train?—A. For each train, in both directions.

Q. Could you put that into train miles per year?—A. We have done that,

By Hon. Mr. Murdock:

Q. It would be much more than that in car miles, too?—A. Yes. The train miles and train miles did not correspond in that particular case because all you add to your car miles is the actual distance, but the train miles are greater proportionately on account of the larger train that you handle over the better route.

By Hon. Mr. Hugessen:

Q. You have to split your trains over the Canadian Pacific?—A. Yes. And that increases the train miles disproportionately to the car miles. That same condition prevails, of course, on all these portions of line that were discussed in connection with line abandonments and better grades, from the Prairies to Kamloops, from Kamloops to Vancouver and from Winnipeg to Fort William. With regard to those particular lines we had fairly accurate figures and could get a close figure as to the saving. In the case of Newport, as the traffic was diverted from the Canadian Pacific to the Canadian National we had the exact figures for tons and cars handled, and knew to a mile what it would mean.

[Mr. E. G. O'Brien.]

By Mr. Biggar:

Q. And the same thing, as far as particularity is concerned, with regard to others, in the Kamloops area, east and west, and Winnipeg to Fort William?—

Hon. Mr. CALDER: If we had about three instances of this kind worked out the same way, with the witness pointing out the situation on the map, I think would be helpful.

Hon. Mr. DANDURAND: I think the witness will give us all the savings that comprised in that total figure, on each line.

Hon. Mr. CALDER: That will be better, if we are going to have them all.

The WITNESS: You asked a question, Mr. Biggar, as to the general manner in which this form was made up. I was pointing that out as one example, to indicate how we secured information as to the re-routing of traffic. There were many other features in addition to the re-routing of traffic. We have consolidation of merchandise traffic. That was a very detailed study. We had on our own map, of course, the actual cars that are loaded at each freight shed each day. We took those and examined them as to what percentage of the cubical capacity of the car was filled, what weight it carried, and made an estimate as near as we could secure it on the amount of traffic that would be moving on the Canadian system, and then tried to visualize whether all that merchandise going from one competitive point to another competitive point could be put into one car. We found there was a great deal of saving to be made in that particular feature. As to the heavier loading of cars, we estimated that as 1 per cent, after a study of the capacities of the cars and the ability better to distribute large cars to certain points where they could be used to advantage. We found that we could increase the loading of the cars in that particular manner by 1 per cent.

By Hon. Mr. Robinson:

Q. These figures are based upon having men who will work this thing out in actual practice perfectly, and save every dollar that can be saved. That is, it is necessary that you have perfect men and perfect co-ordination to work it out, I suppose?—A. No, sir. We are in railroading, and we know from experience just what is being done, and we know how closely to perfect conditions we should expect them to work.

Q. Can you reach a state of perfection?—A. We did not assume we would reach a state of perfection; and the savings were not predicated on that.

By Mr. Biggar:

Q. Yes?—A. The next was the re-routing of American cars. This is a question of empty cars returned to owning lines, and Canadian cars returned to their home points. The re-routing of American cars is a question that is covered by a rather technical set of rules, known as the Car Service Rules of the American Railway Association. When a foreign car comes on the Canadian Pacific we are allowed to return it to the owner at any point at which we have a direct connection. For instance, we receive a New York Central car at Detroit, with short freight for Montreal. It is made empty at Montreal and delivered to the New York Central. If that New York Central car were in the vicinity of Toronto, we would have to move it to some point where we had a direct connection, such as Detroit, or Prescott, or Montreal, whereas under the unified system that car could go to Buffalo. That is so far as American cars are concerned. Then there is the question of every other car. You have connections at a greater number of interchange points on the unified system, and therefore you have a greater opportunity for shorter return home of the cars under the permissive rules of the Railway Association. There was the element of empty car mileage, in so far as foreign cars are concerned. That was not as great as the element of empty car mileage of Canadian cars, that is cars owned by

the Canadian Pacific and cars owned by the Canadian National. Those cars are under certain conditions returned to the owners, and a great deal of empty mileage is involved on the part of the Canadian Pacific sending home to the Canadian National the cars which are owned by the Canadian National, and on the part of the Canadian National returning to the Canadian Pacific the cars. That is mileage which would be definitely eliminated at once.

By Hon. Mr. Moraud:

Q. I do not quite understand why you should need unification to do this. Could you not make some kind of arrangement between the two companies?
A. Attempts have been made by railroads in North America since 1902 to arrive at a satisfactory conclusion. They first had mileage wherein you paid for every movement of the car. That resulted in cars being allowed to remain in indefinite periods on the rails of the man that presently had them.

Q. The railroad?—A. The railroad. In periods of grain movement Canadian cars carrying grain to New York, Boston and Baltimore were held there for months. The same condition prevailed throughout North America. To avoid empty mileage, it is true, but the evil was so great that the railroads through their association, changed that and adopted what is known as the per diem system, which meant he paid for the car every day he had it on his track.

By the Chairman (Right Hon. Mr. Graham):

Q. He was more anxious then to return it to the owner?—A. The object was to force him to return it to the owner, the road.

By Mr. Biggar:

Q. You are always speaking of the railway being the unit.—A. Yes, sir, but due to the fact that I am meeting these people in the association in Chicago I am following our practice there of calling the other railway the man.

Q. That is all right so long as we understand the term.

By Hon. Mr. Horsey:

Q. What is the charge?—A. One dollar per day. The per diem charge forces the return of the car to the man—to the railroad that owns it, but it involves a lot of this empty mileage, such as I have described, as between the Canadian National and the Canadian Pacific.

By Mr. Biggar:

Q. I did not follow that.—A. When you have made the man pay \$1 per day every day he holds his car on his rails, if he could haul it to a junction point for \$5 or \$6, and it was going to be held ten days and cost \$10, he would prefer to send it home empty.

By Hon. Mr. Buchanan:

Q. When did this new system come into effect?—A. The per diem system came into effect, I think it was, about 1902.

By Hon. Mr. Calder:

Q. But as every man was doing the same thing about that time, it was balanced each other.—A. Except the man who had a lot of traffic originating on his lines. For example, the Canadian lines were hauling a lot of export grain to New York, Baltimore and Boston, and we were very anxious to have our cars on our own lines to serve shippers in Canada, but we would find all our cars were down in New England; all the western railroad companies of the United States were in exactly the same position.

[Mr. E. G. O'Brien.]

By Hon. Mr. Dandurand:

Q. Lines that were short of cars would retain your cars?—A. And, furthermore, they would allow consignees to hold them indefinitely.

By Hon. Mr. Robinson:

Q. To use them as warehouses?—A. Exactly.

By Mr. Biggar:

Q. You did use a phrase that indicated to me the reason they allowed them to remain indefinitely before returning them was really in the hope they would be able to lead them themselves and turn them back loaded.—A. Not entirely, sir. They were used as warehouses. We found a condition in the vicinity of Boston where there were several hundred carloads of hay in Canadian Pacific cars, with the sidings of that yard spiked. Cars would go down with pulpwood—they would have 300 or 400 cars of pulpwood for some of those mills in New England—and these cars would remain there indefinitely. There was no charge to the man who held them or to the man who was using them as warehouses.

By Hon. Mr. Horsey:

Q. I suppose other companies would keep cars and use them as warehouses?—A. Yes. They did—as we termed it—pirate them. They took those cars and loaded them to any place they cared to send them.

Q. When did the charge become payable?—A. While the car is loaded or empty we have an interchange report. It is made out as the car moves to the junction point, and the two agents sign the report. From the date they sign it there is a charge of \$1 a day for the use of the car until it is returned to the junction point or delivered to some other railroad.

By the Chairman (Hon. Mr. Beaubien):

Q. To the direct point of contact?—A. To the direct point of contact with the other railroad, or with the railroad which owns the car.

By Mr. Biggar:

Q. You mean that if the car belonged to Railroad A and passed on to the tracks of Railroad B, B pays A for as many days as B keeps that car. Suppose the car, then, is returned to Railroad A, that is an end of the matter. But suppose Railroad B sends the car on to Railroad C, B's liability ceases and C becomes liable to A until the car is returned to A?—A. That is correct, sir. We have a supervising organization, known as the American Railway Association, which has a car service division, one of its largest divisions. It supervises the work and acts as a tribunal to decide any questions of disagreement as to responsibility.

Q. You were going to explain how that system operated as between the Canadian Pacific and the Canadian National in respect of economies arising from unification.—A. Well, the situation as between the Canadian Pacific and the Canadian National is exactly as it is between other railroads. The Canadian Pacific and Canadian National pay each other \$1 per day for every day they have the car of the other company on their rails. The Canadian National may have a car on their railroad at some distance from a junction point not immediately required, and as it is going to cost the Canadian National \$1 for every day they hold it, they find it advisable to send the car to the Canadian Pacific; and exactly the same condition obtains with the Canadian Pacific.

By Hon. Mr. Robinson:

Q. I do not see why there could not be reciprocity between those two roads.—A. You could, if there was some supervisory system. The American railroads

attempted that in 1935. They set up a new system, known as the average per diem, but the disadvantages were greater than the advantages. It meant that cars did not return. The Western United States railroads and the Canadian railroads found their cars being detained as they were under the old mileage system when there was no per diem rent.

Q. Would you think they could very easily have an arrangement?

A. You could under unification, but I think it is almost an impossibility to work it out.

Q. Without unification?—A. You would have to have some kind of joint control of that particular feature. Without unification it has many other disadvantages, in that the cars of one railroad would probably meet with more delay than they do now. When you have your own cars you can supervise and control the movement.

Q. I do not understand it yet, and I do not think you can make me understand it.—A. The question is, sir, as to why the Canadian roads cannot—presume you say—co-operate?

By Mr. Biggar:

Q. Why they do not have a different system.—A. Yes. As long as you compete there is the question of car supply for securing traffic on one road or the other. In time of shortage one road might have the advantage of having more freight unloaded on its railway and, what we term, the originating railroad would be at a disadvantage.

Q. Would be at a disadvantage if?—A. The cars were not returned to them when made empty.

Q. Exactly.—A. That would mean the provident railroad that had supplied cars to handle its traffic would not have them available.

By Hon. Mr. Buchanan:

Q. If you did not have the \$1 a day system, would it be possible for one railroad deliberately to hold the cars of another?—A. Yes. That is exactly what happened when the \$1 a day fee was not in effect, as I tried to describe it, in New England, where cars were held indefinitely.

Q. They were not held deliberately?—A. In some cases deliberately when they did not have trains ready to move them, or when they thought they might require them. There was no incentive to return the cars to the owner.

By Hon. Mr. Horsey:

Q. Your claim is that under unification you would get more use efficiency of your cars than under a competitive condition?—A. There is no question about that.

By Hon. Mr. Murdock:

Q. How do the per diem charges break as between the two Canadian railways?—A. For a number of years the Canadian National have paid to the Canadian Pacific quite a bit on per diem. That is, the balance was in favour of the Canadian Pacific, indicating there were more Canadian Pacific cars on the Canadian National than there were Canadian National cars on the Canadian Pacific.

By Mr. Biggar:

Q. I suppose it is not the money that is really important, but that the charge gives a motive for the return of the cars.—A. That is the object of the charge.

By Right Hon. Mr. Meighen:

Q. With money results.—A. With money results.

[Mr. E. G. O'Brien.]

By Mr. Biggar:

Q. If it operates effectively, the money does not matter very much?—A. does operate effectively.

By Hon. Mr. Horsey:

Q. Is it operating effectively now?—A. Yes.

Q. They charge each other with the cost?—A. All that is exchanged is the balance.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. O'Brien, with unification there would be no incentive to pay the cost for returning the cars?—A. No incentive to return the cars?

Q. That is, you would save the cost of returning a car.—A. You would save that cost, but the result would be you would have a decreased car efficiency, which would be more expensive. In other words, if the cars were not returned home, and they were held indefinitely, you would find so much delay that it would cost you more; you would have to have more cars—unless there is joint supervision.

Q. You misunderstand my question.

By Hon. Mr. Dandurand:

Q. But as between the two railways, the Canadian National and the Canadian Pacific, there is a working arrangement or understanding by which the cost is very little between the two?—A. Cost, sir?

Q. What they have to pay to each other.—A. It is merely the balance. I can give you that figure.

By Hon. Mr. Haig:

Q. How much was it last year, 1937? Which paid the most money?

Hon. Mr. MURDOCK: The Canadian National, he said.

The WITNESS: In 1937 the balance in favour of the Canadian Pacific was \$72,948. That is, on all per diem exchanges. It includes a great many things other than what we call actual per diem; there were reclaims and various other matters.

By Hon. Mr. Buchanan:

Q. Does that include all railroads?—A. Between the two railways only.

By Hon. Mr. McRae:

Q. What was the total consideration for both lines? The difference is not material as the extent of the return of empties. What did that amount to?—You mean the empty mileage involved, or the per diem?

Q. The total consideration involved for both lines.—A. The Canadian Pacific received \$567,696, and they paid to the Canadian National \$447,523.

Q. About a million dollars?—A. About a million dollars.

By Right Hon. Mr. Meighen:

Q. If I get it right, that does not necessarily represent the savings. If I have your point, it is this: As between our Canadian roads and the American roads your savings consist in shorter haulage for return, because you can get to a closer point of connection. So long as you have two systems each has to go to its own point, whereas under one system you can go to the nearest point on either road.—A. Yes, sir.

Q. But as respects yourselves, the necessity of return is done away with, and as a consequence you get better use of your whole equipment, which results

in less aggregate equipment being necessary, and a lesser aggregate expense of handling that equipment.—A. That is under unified management.

Q. That is as I would express the argument you are advancing?—A. Yes, and as we see it, it would not be possible to achieve that under competitive conditions regardless of co-operative arrangements.

By Mr. Biggar:

Q. Now will you go on? You have completed what you have to say on the point of the return of cars between the two companies. Go on to the next point.

By Hon. Mr. Moraud:

Q. You are quite definite that this cannot be achieved except by unification?—A. I feel quite positive it could not, not only from my own experience but from the experience of the American railways which attempted to devise means to achieve that end, and which have not been able to do it regardless of the full and unanimous co-operation of all the railways concerned.

By Hon. Mr. McRae:

Q. The sum total of the charges for returns against the two Canadian companies, of \$1,000,000, would be largely avoided under unification?—A. There would be no question of accounting at all. At the present time they exchange the balance.

By Hon. Mr. Calder:

Q. The cost of the return includes the actual carrying of the car also?—A. That is the point where we started. The return of the cars is the item saving by unification covered on page 418, "Re-routing of American cars returning to owning lines and of empty Canadian cars moving to loading points."

By Mr. Biggar:

Q. Right.—A. There is just one feature with regard to the return of cars to loading points that we have not covered. It is that the cars would move where there is a shortage. That condition would be taken advantage of in the same manner as with loaded cars.

Q. Could you give the committee an instance of that kind, comparing unification with the present situation in that regard?—A. The most obvious indication would be cars, empty, in New Brunswick—any point here (indicating on map). The Canadian National have loading, say, at the Dalhousie paper mills. They are Canadian Pacific cars in that vicinity. They would either have to load them to Montreal or, if they were separate, they would go to the nearest Canadian Pacific junction point. If the Canadian National had a car at Saint John at the present time and the train service happened to be light west-bound, they would return this car by the shorter mileage, whereas under present conditions it must be sent up around here (indicating on map).

By Hon. Mr. Robinson:

Q. What car is this?—A. An empty car, a Canadian National car that you do not require at Saint John. If they have a surplus of empties and want to return them out west they must take them around this way.

Q. Which way?—A. From Saint John through Edmundson or Campbell to get them to Montreal, and move them further west to loading territory where there is a shortage of empties. But under unification they would naturally move the shortest mileage and by the cheapest route.

[Mr. E. G. O'Brien.]

Q. Where there are regular trains running—A. Where there are regular trains running they take advantage of the direction of tonnage.

Q. Where there are regular trains running over the C. N. R., I suppose they may add a few extra cars without extra cost?—A. Over this route?

Q. Over any route.—A. That may apply in some instances, but you always have the cost of the wear on the car, and you frequently find you have a west-bound movement of coal, say, here, when your trains are full, and you still have to move the empties in the direction of tonnage.

Q. But when the trains are running regularly the cost is nothing more than the wear and tear.

Right Hon. Mr. MEIGHEN: It costs money to move them.

By Hon. Mr. McRae:

Q. Mr. O'Brien, as the matter stands to-day, either the Canadian National or the Canadian Pacific return their respective cars to the nearest junction point for delivery, regardless of efficiency or the need of the line for the cars returned?—A. Regardless of the need—

Q. So if that car you turn over at Saint John is wanted at Montreal, they have to haul it all the way to Montreal?—A. Exactly.

Hon. Mr. DANDURAND: If they have no freight.

By Mr. Biggar:

Q. The last three items you have discussed are all included under No. 4 of the items of return in Exhibit C, page 418, are they not?—A. All handling of empty cars would be included in that item.

Q. Would this be a convenient time to break down that 90,000 and 100,000, or would you rather do that later when you come to the details?

Right Hon. Mr. MEIGHEN: There would be a tremendous amount of detail in breaking that down.

Mr. BIGGAR: There would.

Hon. Mr. DANDURAND: But it has been made up in detail.

Right Hon. Mr. MEIGHEN: I have no objection, if you can stretch out the session.

The WITNESS: I will give you roughly our way of arriving at that. It was to make an investigation of the records to find out what empty mileage was involved on the C.P.R. in hauling a car from the point at which it was made empty to the junction point. We did not have the information as to the Canadian National, but we knew that there were more Canadian Pacific cars on the Canadian National than there were Canadian National cars on the Canadian Pacific, and we assumed that the mileage would be approximately the same, even though we felt their average empty haul would be longer than ours. That was an actual calculation in so far as the Canadian Pacific was concerned, and it was an estimate, after taking into consideration all the known facts, in so far as the Canadian National was concerned. These were lumped together.

Q. Could you tell us approximately how much of this 90,000 and the 100,000 was due to United States cars returned, and empty Canadian cars moving to loading points? You can leave that until later if you like.—A. I give a number of details, if you wish.

Q. Now, go on with the general points. You are going to deal with No. 5 now.—A. "Re-routing of freight traffic." The instance we referred to in connection with the movement of interstate traffic from Coteau Junction to Wells River, via Montreal and Farnham, as compared with a direct movement from Coteau Junction to White River, is an instance of the savings in connection with the re-routing of traffic. There are a great many of these in our study.

We took individual situations and developed all the information we could in connection with them, and made a calculation as to the savings in the re-routing of traffic.

By Hon. Mr. Dandurand:

Q. Under the 5,000 miles of lines that were to be abandoned?—A. The re-routing of traffic has not any effect on the abandonments—rather, the abandonments have not much effect on the re-routing of traffic, except so far as the grade is concerned.

But where we took traffic we assumed that if the line was abandoned that traffic, or the number of cars, actually was transferred to the retained line, so that it increased the train miles and car miles on the retained line, and therefore reduced to a certain extent this saving in the general re-routing of traffic.

Q. But if there had been no abandonments, the figures would have been much different.—A. It so worked out that if there were no abandonments this figure of re-routing traffic would have been somewhat more than it is at present. One example may make that clear. The line from Saint John to Montreal is short, but if the traffic moved over the Canadian National trans-continental line from Saint John and Moncton to Diamond Junction, near Quebec, were transferred to the Canadian Pacific line, there would be a slight increase in the number of train miles, and an increase in the number of car miles. The individual car moves a shorter distance, but due to the trains being shorter, there were more train miles.

By Hon. Mr. Calder:

Q. Take this case. The two railways now have to move from Winnipeg so many thousands of cars of grain over three lines. Assuming for argument's sake that there was only one line used for the carrying of that grain, how would that affect it? There is a re-routing, but do you take that into consideration?—A. That is taken exactly into consideration on this feature, and in that case there is a shorter route mileage and an advantage due to a double in grade. So that those three factors there give a fair saving, a considerable track and better opportunities for operation. There is also a slight advantage saving in that particular case.

By Hon. Mr. Dandurand:

Q. I did not understand your answer when I asked you about this item re-routing of freight traffic, which indicated 27,491,186 freight car miles saved. I asked you if that was predicated, and if so to what extent, upon the abandonment of 5,000 miles of rail?—A. The car mile savings which are entirely dependent on the abandonment of rail are shown opposite item 1. Train service on abandoned lines is 4,181,000. That is, if the lines were abandoned those cars would not run; in other words, the cars would not move.

By Mr. Biggar:

Q. If the lines were abandoned, cars would not move?—A. No. The balance of the traffic, if those lines were abandoned, would move via some other route and therefore you would still have those cars moving and car miles would accrue.

Q. Suppose you had no abandonments at all, that item No. 1 would be struck out of this schedule altogether?—A. Completely.

Q. In regard to item 2, suppose you had no abandonments at all, would the figures opposite that item 2 be affected?—A. No sir, to practically no extent at all.

Q. And item No. 3, would the figures opposite that item be affected?—A. No sir, they would not be affected.

[Mr. E. G. O'Brien.]

Q. And with regard to item 4, would those figures be affected?—A. They might be affected to the extent that some short routes would not be available, but not to any appreciable extent.

Q. And with regard to item 5, to what extent would the figures there be affected by there being no lines abandoned?—A. They would be affected to some extent. For example, if this line from Sudbury or Capreol to Winnipeg were abandoned (indicating on the map), and the Canadian Pacific line from Sudbury to Fort William and Winnipeg were retained, more train miles would be involved in moving traffic east or west over the Canadian Pacific than would be involved in moving over the Canadian National line from Capreol to Winnipeg.

Q. Because?—A. Because the Canadian National line from Sudbury or Capreol to Winnipeg is a line on which more cars can be hauled per train than can be hauled on the Canadian Pacific from Sudbury to Fort William. Therefore if the traffic now moving on the Canadian National is transferred to the Canadian Pacific, we would operate not quite three trains for two. Therefore, taking into consideration the distances and the number of trains operating, the abandonment of the Canadian National between Capreol and Superior Junction Winnipeg, would increase the number of train miles in this estimate.

By Right Hon. Mr. Meighen:

Q. Do I get your argument to be this, that whereas without abandonment you would lose the advantage itemized as No. 1, the effect would be to increase the advantage in item No. 5?—A. It would increase it, yes sir.

Q. How would the increase and the decrease compare?—A. On that particular line, I think—

Q. No, all through the country. I mean the whole item. Would the loss of savings on item 1 be made up by the increased savings on item 5?—A. In so far as train miles and car miles are concerned, if lines such as that which we have just discussed were left in, there would be greater savings in train miles.

Q. Suppose we assume there would be no abandonment. You would then lose the savings itemized under item No. 1, but you would make greater savings under item No. 5. But would you make greater savings under item 5 than you would lose under item No. 1?—A. Not quite as much. In this territory between Sudbury and Fort William, the gain due to the retention of that line was about 692,000 train miles. That is, speaking from memory.

By the Chairman (Hon. Mr. Beaubien):

Q. You have a certain traffic now. If that mileage is reduced, you are taking it that the traffic will still remain, without very much difference?—A. Yes sir.

Q. And if both railways were formed into one, that traffic could be moved in the most convenient way, in both directions? That is the foundation of the estimate?—A. Of item 5, sir.

Hon. Mr. DANDURAND: That is why we would be interested in knowing where those savings appear, on each line.

By Mr. Biggar:

Q. Dealing with the point that Senator Dandurand has just raised, can you reduce these figures to a table, perhaps an alternative one, on the basis of abandonments as assumed, and no abandonments?—A. I think it could be done. It might take considerable time, sir. I could make a fair estimate, I should think.

Q. You would have to make certain assumptions?—A. Yes sir. There was a very long detailed study made to arrive at this figure, and there is great danger in making estimates.

By Hon. Mr. Robinson:

Q. In other words, these figures are based on the abandonment of 5,000 miles?

Hon. Mr. HAIG: No. Just item No. 1.

Hon. Mr. ROBINSON: If 5,000 miles were not abandoned, these figures would not be correct.

Right Hon. Mr. MEIGHEN: Item No. 1 would go. As between items 1 and 3, there is a decrease in one and an increase in the other.

By Mr. Biggar:

Q. When you say it would take fairly long, do you mean a month, or several days?—A. To make any definite study—

Q. We cannot go beyond the information you had in 1932, at the moment. You have the information upon which you then proceeded. Could you put that information into the form of a table?

By Hon. Mr. Dandurand:

Q. In other words, we have figures here based on details which the company must have. Upon what details have they based that information?—A. We have the details, what we call our working sheets, upon which we arrived at this table.

By Mr. Biggar:

Q. From those working sheets could you make us up a table that would give the information indicating how these figures are broken up?—A. As between no abandonments and the present figure?

Q. And breaking down those individual figures on the basis on which they are put forward, too.—A. We can do that, sir. I do not think it will take very long.

The CHAIRMAN (Hon. Mr. Beaubien): How far do you want them broken down? If they are broken down to units, the work would be infinite.

Mr. BIGGAR: I am afraid none of us know quite enough to indicate just exactly how far we should need the figures broken down. Could we not ask Mr. O'Brien to go as far as members of the committee have indicated.

Hon. Mr. HAIG: Mr. Chairman, may I ask a question?

The CHAIRMAN (Hon. Mr. Beaubien): Certainly.

Hon. Mr. DANDURAND: The details upon which is based the table Mr. O'Brien gives us would have to be tested. How can they be tested, if we have no details?

The WITNESS: I can give you the details of item No. 5, the re-routing of traffic. What I am concerned about is whether I can give you a figure in a reasonable time as to the details of what the savings would be where there are no abandoned lines.

The CHAIRMAN (Hon. Mr. Beaubien): If you will give us those savings as to the whole system, then we shall know where you are estimating that the savings will be made. If they happen to be from the fact of abandoned lines, we shall see that. That is why I think we would need to have a detailed statement of the savings under these items.

By Mr. Biggar:

Q. Mr. O'Brien, will you go as far as you can in that direction and give us as many details as you possibly can?—A. First, the details of the present study, just as we made it. The details of further study we will have to go over.

[Mr. E. G. O'Brien.]

Q. They will be less thoroughly worked out, probably, because you will not have time to do them as thoroughly as you have done the details of the present study? Then perhaps we can leave the rest of that. But while you are on general subjects, you might compare the estimate that you have made, and what is contained on page 418 of the proceedings, with the corresponding figures in Exhibit 42, the Canadian National's discussion of unification savings, which begins at page 473. I think that the particular tables you will desire to refer to are those which are part of Exhibit 1 to Exhibit 42, at pages 486 and 487. Have I selected the right pages, Mr. O'Brien?—A. That is the particulars, yes sir.

Q. You will probably want to go back to the pages containing the discussion itself, where those are dealt with. But the figures are at pages 486 and 487, are they not?—A. Yes sir. On page 486 of the record is the Canadian National's comparable figure in Exhibit C.

Q. Exhibit C, page 418.—A. The comparable figure in item C at page 418 reads train service on abandoned lines. I take that to be a comparable item with that at page 486, section IV, line abandonments, that is, train service abandoned lines, and the other class, line abandonments.

Q. I understood, for the purpose of comparison between those exhibits Nos. 49 and 42, we have to take the second column headed "Normal."—A. Yes, with the \$4,300,000.

By Hon. Mr. Hugessen:

Q. How can you compare the two? One is miles and the other is dollars.

Hon. Mr. CALDER: We were told that on an average it is \$1 a mile.

By Mr. Biggar:

Q. That is what I want to get at. The train miles, we have been told, are \$1 a mile.—A. About. A comparable figure of \$4,300,000, which it is estimated could be saved by the Canadian National—

Q. By unification?—A. By unification. That is the Canadian National estimate. The Canadian Pacific estimate that they would save 2,217,148 train miles. We have assumed in making this comparison that the \$1 per train mile applies in the case of freight as in the case of passenger train miles. So that while the Canadian Pacific estimate savings at 2,217,148 miles—

Q. Train miles.—A. Train miles; the Canadian National, it would appear, expect to save 4,300,000 train miles.

Q. If you are right about that, the 2,217,148 train miles of the C.P.R. is based on abandonment of 5,000 odd miles, while the \$4,300,000 of the Canadian National is based on the abandonment of only 2,434 miles.—A. I did not take that into consideration.

Q. That is the fact, though?—A. That is the fact, though.

Q. Turn from that \$4,300,000 item, if you will, and see whether you can carry it into the schedule on the top of page 487. I have tried to do so without success. Can you do that?—A. I do not see that, sir.

Q. Would you rather leave that to Mr. Liddy?—A. We deal only with the physical units, and not with the costs. The only reason we referred to the costs was in an effort to make some comparison between those two estimates. That is the only place, I think, where we do not have train miles.

Q. Can you make any comparison so far as your item No. 2 on page 418 is concerned with any figures in Exhibit No. 42?—A. Item 2, consolidation of merchandise traffic. It might, I take it, be included in the Canadian National's figure of heavier loading or increased car loading.

Q. Increased train loading?—A. Increased car loading. The Canadian Pacific exhibit has two items: No. 2, consolidation of merchandise traffic; No. 3, heavier loading of carload traffic. Combined, we calculated a saving of 886,000 train miles.

Q. Taking that at \$1 a mile— —A. In this particular case, sir, the heavy loading is broken down thoroughly in the exhibit at page 509.

Q. Yes.—A. You will note it shows a decrease in car miles.

Q. That is Exhibit No. 14 in the middle of page 509?—A. Yes. It shows decrease in car miles due to 5 per cent increase in average load per car. One you have car miles you have units and can make a comparison with your train miles.

Q. Yes.—A. It is in thousands. There is 61,000 or a total of 61,000,000 car miles. On the average estimate of 40 cars per train, that would make—

Q. Where do you get the 61,000,000?—A. It is the decrease in car miles. It is in thousands. You have to add three zeros.

Q. I see, 61,000,000. We are looking at the fourth item in Exhibit No. 14 which occurs in the middle of page 509.—A. If you have the item in car miles you can make a fairly accurate calculation as to the number of train miles. On the basis of 40 cars per train, that would represent 1,535,000 train miles compared with the Canadian Pacific estimate of 886,000 train miles.

Q. As a matter of fact, that Exhibit No. 14 to which you have been referring is based on 1931, not a normal year, and it appears in the first column on page 486 as 4,000,000 instead of 4,144,163; but the corresponding figure for a normal year is 4,800,000. So that you add one-fifth to that figure of 1,000,000 odd train miles.—A. 1,500,000 train miles. It would be roughly 1,842,000 train miles.

Q. But compared with your figure of?—A. 886,000 train miles.

Q. All right. We have got that clear, I think.

The committee adjourned until 3.30 o'clock this afternoon.

The Committee resumed at 3.55 p.m.

Hon. Mr. HARDY: Mr. Chairman, I do not know whether it is intended to have a sitting to-night. May I suggest that it might be beneficial to these gentlemen who have been working for the last two weeks if we had a rest to-night.

The CHAIRMAN (Hon. Mr. Beaubien): The answer can be made by the leader, Senator Dandurand.

Right Hon. Mr. MEIGHEN: I think the purpose was, not to sit to-night but to-morrow.

Hon. Mr. DANDURAND: Yes.

Hon. Mr. HARDY: Not to-night, but to-morrow morning. If we do that then we shall have a long week-end. I speak advisedly on this.

Hon. Mr. PARENT: I would go further and ask the committee to adjourn from this afternoon until the beginning of next week, to give these gentlemen a chance to get a little rest and gather their figures together. We have been working pretty hard lately.

The CHAIRMAN (Hon. Mr. Beaubien): Shall we proceed, gentlemen?

Hon. Mr. PARENT: I would ask the committee to consider these remarks of mine. I suggest that the men who have been appearing before this committee and their associates, need a little time to gather their information together and have a little rest. They have been working very hard, and we on the committee have been listening to them very attentively. I do not want to impose my view on the committee, but I will say this, that a little rest over the week-end would do no harm to the committee or those who are appearing to give information.

Hon. Mr. DANDURAND: I would say to my honourable friend that we must proceed with a certain amount of diligence. We shall not be sitting this evening. We shall sit to-morrow morning, probably from half past ten to one o'clock.

[Mr. E. G. O'Brien.]

It may be that that will suffice, unless the committee thinks that we should go on into the afternoon. In any event, we shall adjourn from Friday noon, or Friday afternoon, until Tuesday next. That will give a very good week-end.

Hon. Mr. PARENT: You will remember, Senator Dandurand, that Senator Meighen said you were the youngest man on the committee. That being so, you might possibly have consideration for those who are not as young as you are.

E. G. O'BRIEN (examination resumed).

By Mr. Biggar:

Q. Mr. O'Brien, you want to add something to what we were discussing this morning. In general terms, I understand you have the statement already that we asked for?—A. The statement as to the details of the 1930 study. I can make some general short study, that might be called an estimate, of what the changes would be, in answer to the question this morning.

By Hon. Mr. Horsey:

Q. On the question of rerouting?—A. This is on the question of rerouting, as to the abandonment of lines. I can give you some information on that. We were on the general subject of the manner in which these calculations were made. This statement which you have now is a summary sheet that goes into item 5.

By Mr. Biggar:

Q. Those are the details, so far as territory is concerned, of the items that make up the total given under item 5, on page 418?—A. Yes sir.

Q. Can you tell us how these figures are arrived at?—A. The figures on his new statement in detail, sir, do you wish.

Q. I am afraid we shall have to have them in detail some time, either now or later.—A. Shall we take the first one?

Q. I am wondering whether the committee can follow what you say about it without a copy of the figures before them. Do you think you can give it intelligibly, without the committee having before it the detailed figures of which you are going to speak?—A. I might attempt, sir, to explain it on the map. Perhaps that would be a little more readily understood. That is the only way that I could suggest. The first item that we have on this sheet of the details or summary is the movement of traffic from Nova Scotia points to Montreal and west. You will note there that we take a debit, or we show an increase in mileage. It is not a saving, it is an increase to offset the other saving.

By Hon. Mr. Parent:

Q. When you talk of the Maritimes to Montreal, do you forget Quebec entirely?—A. No sir. This is through traffic from Nova Scotia to the St. Lawrence river.

Q. Quebec is not far from the St. Lawrence river?—A. It is just a general question of moving the traffic. If I may, I will explain why we assumed a loss in our estimate, that is reduced our estimate in connection with this movement from Nova Scotia to Montreal. We knew what traffic was moving from Saint John. We secured what information we could as to the movement from Sydney and Halifax, and estimated from information secured from our local people down there what would be the approximate tonnage, and then endeavoured to find out how many trains were running, and we got a fair estimate. And we assumed that if this line (indicating on map) did not come out, there would still be one train over the Intercolonial between Moncton, Campbellton and Montreal. But this line from Moncton-Edmundston to Diamond Junction would not be

available. And in order to take as much advantage as we could of the two remaining lines, that via Campbellton and that via Megantic, we assumed that part of this traffic which moved via the National Transcontinental and Edmundston would be diverted to the Canadian Pacific line Saint John, Megantic and Montreal. That gave us a deduction from our total savings, because it either had to go this way, through Saint John-Fredericton, or if this National Transcontinental line were removed it would then have to travel via Moncton or via Canadian Pacific. Of these two routes, the Canadian Pacific via Saint John, Megantic and Montreal was the cheaper. But it still cost a little more than moving that traffic via the National Transcontinental, Saint John-McGivney-Diamond Junction.

By Hon. Mr. McRae:

Q. Why would that be? The mileage is less.—A. Yes sir. But you have an increase in train miles, because you have two trains on shorter mileage. And you will note in the report that while there is an increase in train miles there is a decrease in car miles, due to the shorter distance.

Q. That speaks favourably for the present Transcontinental in that section?—A. Yes sir. But that part of the study which I had to make did not take into consideration the question of whether this line should be retained. That was given me as a fact, and I had these two lines remaining and I had to figure out what that would cost.

By Hon. Mr. Parent:

Q. In other words, as far as you are concerned, you had nothing to do with the question of abandonment of line?—A. No sir. That is a question of policy. There are a lot of other expenses besides train expenses that come into that.

Q. You worked on this basis, that assuming the line would disappear, that would create a certain situation?—A. Yes sir.

By Mr. Biggar:

Q. We are going to go through this document you have handed me—

Hon. Mr. McRAE: May I ask Mr. O'Brien a couple of questions?

Mr. BIGGAR: I have a lot more to say about this subject. I was just going to refer to the document, because we shall have to let the committee know the individual items as we go on. But the document had better be marked as an exhibit, so that it may be printed, and we may understand what we are referring to. It will be Exhibit 52.

Document showing details of reduction in freight, mixed and other train miles and freight car miles due to re-routing traffic (item 5, page 418 of proceedings), filed and marked Exhibit 52.

Mr. O'Brien has just dealt with the first item, Nova Scotia points to Montreal and west. Column 1, freight, mixed and other train miles, credit 43,200 freight car miles. The other column is 799,200 freight car miles.

Q. Before you leave that first item, Mr. O'Brien, will you tell us this—and perhaps this will anticipate Senator McRae's question—how much tonnage you assumed for the purpose of getting those figures?—A. As far as we could ascertain the tonnage, which was not very definitely, we assumed half a train a day. Knowing the tonnage of the trains—I have not got the details of the tonnage but it did work out at half a train a day.

Q. I suppose you have the tonnage somewhere, have you?—A. We have the tonnage that we have assumed could be hauled. But I doubt if I have now the full details of that tonnage. In working out these figures we got these tonnage figures together and most of the work was done by experts on slide rules, and we did not mark down every detail.

[Mr. E. G. O'Brien.]

Q. I am thinking of the assumptions. You must have assumed certain tonnage for the purpose of getting to half a train a day.—A. We had that tonnage before us, but I have not got it here. I could figure it out for you shortly, possibly.

Q. You might be able to figure it out?—A. Yes.

Q. What did you assume about the points of origin of what was moving?—A. Of the traffic which was diverted to the Canadian Pacific line, Saint John to Montreal, we assumed that the Saint John traffic was diverted to the Canadian Pacific line, Saint John-Megantic-Montreal, and that sufficient other tonnage could be diverted from Moncton to fill it out, which would be part of the tonnage that formerly went over the National Transcontinental. The exact amount of tonnage on this line—

Q. The National Transcontinental?—A. The old Intercolonial line—the tonnage that was assumed to move on this line—

By Hon. Mr. Parent:

Q. Will you explain what you mean so we can understand it?—A. We took the tonnage that was available at Moncton, and assuming part of it moved over the Intercolonial Railway, Saint John to Montreal, and that there were in the winter months light trains operating west over the Canadian Pacific line, Saint John-Megantic-Montreal, we assumed that sufficient of this tonnage at Moncton would be diverted to fill out these trains. That would be practically done through freight train daily.

By Hon. Mr. Dandurand:

Q. What portion did you deflect?—A. A portion of—

By Mr. Biggar:

Q. The Moncton tonnage.—A. It is not the same at each portion of the year. In the winter months there would be a large portion of that deflected, due to the fact that the Canadian Pacific trains from Saint John-Megantic-Montreal are always light. The tonnage grain is moving eastbound, and there was a larger portion deflected in the winter than in the summer. The details I have not with me, and I do not think they are available because it had to be done on a percentage of the winter months, and it was so worked out.

Q. Do you remember the percentages?—A. The exact percentage? No, sir. That would be from memory. Six years ago we had so many details that I cannot possibly give you the exact percentage.

Q. I mean your available records: would they not give it to you now?—A. Not at present. I assume a train could be continued to Campbellton which would take part of the traffic, and taking what was diverted to the Canadian Pacific to fill out the tonnage, it would give an average of one-half a train daily for the year. That was made from a number of computations, most of them on a slide rule, and set down on this statement.

By Mr. Hugessen:

Q. By half a train a day, you mean one train every two days would be saved?—A. No. Half a train daily would be diverted from the—yes, that was our assumption, it would be half a train a day. It is diversion—

By Mr. Biggar:

Q. Not saving?—A. It is diversion. Then you have a computation of how many trains you have moving light west.

By Hon. Mr. Murdock:

Q. A train of how many cars?—A. This was a computation for train mileage. Car mileage would follow a different method. You assume the number

of cars as near as you can get it, and then the mileage. Car mileage and train mileage for the purpose of this study are not made up in the same way.

By Hon. Mr. Parent:

Q. How can you arrange to have all this territory, now served by the lines of the old Canadian National, served by the Canadian Pacific? Are you going to ignore all that population in New Brunswick and part of Quebec? This study was divided up into a great many parts, and that was not one of the responsibilities. It was given to me as a definite fact, and I had to work from that. I am not in a position to answer you, Senator, not having all the information.

Q. You surely give advice to those who speak to you. If you do, how can we let that line disappear to-day under present conditions, even on the representations of the C.P.R., or any other representations? How can all that population be deprived of the lines that are serving them now? If you do carry out that plan, it means simply this, that then the province of Quebec itself will take the necessary steps to put the people where they should have been. The province will build the railway. Consequently the removal of that railway and all that sort of thing, is entirely out of order.

Hon. Mr. GORDON: Is that an offer to build a new railway?

Hon. Mr. PARENT: Certainly.

By Mr. Biggar:

Q. Just to summarize that, Mr. O'Brien, I understand you have taken half a train a day that would be diverted from points east of Saint John on the average throughout the year.—A. Half a train a day would be diverted from points east of Saint John—that is correct, sir.

Q. And your point of destination for all of that would be Montreal?—A. Tonnage some might be east of Montreal.

By Hon. Mr. McRae:

Q. What does half a train a day mean in cars?

Mr. BIGGAR: I was coming to the tonnage, Senator.

By Mr. Biggar:

Q. The diversion you speak of is partly a diversion by the Intercolonial and partly by the Canadian Pacific short line across Maine.—A. We assume there is a full train, and it would continue to be a full train there. But this is half a train a day which would be diverted on this line—

Q. What does "this line" mean?—A. On the National Transcontinental from which you would deduct what advantage you could get on westbound light trains on the Canadian Pacific.

Q. I said part of the diversion of half a train a day was by the Intercolonial and the other part was by the Canadian Pacific short line from Saint John.—A. That is not quite clear. You say half a train a day was diverted to the Intercolonial Railway?

Q. Part of it on the average throughout the year was diverted one way and part of it the other way.—A. No; that is not the computation. Presumably there is a train a day on the National Transcontinental—

Q. I thought you were assuming the National Transcontinental was abandoned there.—A. Yes, sir, we assumed it was abandoned.

Q. You cannot have a train a day there.—A. A train a day off that does not increase the Canadian Pacific train a day because there are already light trains that will take part of that half train without any increase in miles.

[Mr. E. G. O'Brien.]

Q. But we are speaking of 43,200 train miles.—A. It is the increase of the train miles of the Canadian Pacific Railway from Saint John to Montreal.

Q. That is what I say. Part goes that way and part by the Intercolonial.—The full train-load of the National Transcontinental has to be taken care of some way. We assume that tonnage would come on the Canadian Pacific Saint John-Megantic-Montreal, and that it would not increase the Canadian Pacific train mileage to the extent of one train a day because we already have light trains there that could take part of those cars without having any more trains. We had to equate all those factors.

By the Chairman (Hon. Mr. Beaubien):

Q. It increases your train mile and not your car mile.—A. It is peculiar, but train miles and car miles cannot be related in a situation of this kind.

By Mr. Biggar:

Q. That deals with your item of an additional 4,200 train miles in your first column. Now you have a saving of 779,200 freight car miles in your second column. How do you arrive at that?—A. The car miles and train miles, due to the number of cars you can put on a train, are not always related. In this particular situation they have no connection at all. If you have cars at Saint John that you are going to move to Montreal, all you have to do about your car miles is to take the mileage by this route.

By Hon. Mr. Dandurand:

Q. What do you mean by "this route"?—A. By the route from Saint John and Edmundston to Diamond Junction.

Q. Call it the Transcontinental.—A. All you have to do is to take the mileage by the National Transcontinental to Montreal and compare it by the mileage of the Canadian Pacific to Montreal. If cars move on the shorter route there is a saving in car miles; but that has no relation whatever to the saving in train miles.

By Mr. Biggar:

Q. So the cars would move by the shorter route and you would save this 60,000 car miles?—A. Yes.

Q. And you would lose 4,200 train miles?—A. Yes.

Q. Is that based on the abandonment of the Canadian National between Diamond Junction and Moncton?—A. Yes, that is the abandonment between those points.

Hon. Mr. McRAE: Colonel Biggar, I am getting very much confused about this, because Mr. O'Brien said, as I understood, that it was cheaper to haul freight from Saint John by the Transcontinental on account of the grade, even though the mileage was longer, and that they had taken that as a consideration and reduced their estimate of saving greatly by utilizing the light trains west on their Canadian Pacific line. If I am right in that assumption, then we have rather a counter statement in that last one.

Hon. Mr. ROBINSON: This statement shows a loss.

Hon. Mr. McRAE: That is what I understood Mr. O'Brien to say. So so far as freight is concerned moving from Saint John to Montreal, with respect to train and car mileage there would be a saving using the Transcontinental line. That is offset in part by the utilization of the light trains and the surplus cars which the C.P.R. would have in carrying that freight back west. Is that correct?

The WITNESS: That is correct. It is difficult to relate car miles to train miles. It increases your cost so far as train operation is concerned, and that is the reason we took it out. In order to be able to give the basic units, the physi-

cally handled units, we had to take cognizance of the fact that if you run two trains from Saint John to Montreal by the Canadian Pacific, assuming it is one and a half trains by Canadian National, the same number of cars, 10 from Saint John to Montreal will give you less car miles by the Canadian Pacific than by the National Transcontinental, even though at the same time you operate more train miles.

By Hon. Mr. Parent:

Q. Provided you reach the C.P.R. lines?—A. Yes, sir.

Q. And if you do reach the C.P.R. line, you have to consider what part of the country is going to suffer by diverting all the trade to the C.P.R. and ignoring all the rest.

Hon. Mr. HORSEY: Recommending really the abandonment of the best of the three lines in grades and distances.

Hon. Mr. PARENT: Assuming it does not disappear, his figures are not correct at all.

By Hon. Mr. Robinson:

Q. You do not take into account extra employees in a foreign country and the number in your own country?—A. No; that was not part of my study. It was car and train miles on which other studies were made. The factors were given me of certain abandonments, which I had to deal with.

By Hon. Mr. McRae:

Q. In order to boil this thing down so far as freight is concerned, everything else being set aside it can be hauled cheaper from Saint John to Montreal over the National than it can be over the C.P.R.?—A. In so far as train miles are concerned, it can.

By Hon. Mr. Hugessen:

Q. But so far as car miles are concerned, it is cheaper by the C.P.R. short line?—A. Because there are fewer miles.

By Hon. Mr. McRae:

Q. It costs more to haul that way than the other way?—A. That is the view we took of it, that it did increase the train miles, and they would come later into costs, which were not my study.

By Mr. Biggar:

Q. My next question is going to be: Suppose the National Transcontinental remained in existence there, the whole of (a) in this Exhibit 52 would be struck out?—A. It would be struck out.

Q. The whole thing, the credit and the debit?—A. The credit only, assuming that if those trains would operate, instead of that credit you might find some advantage in diverting traffic from the Canadian Pacific. We did not make that study, but it is quite possible that if the National Transcontinental lines were retained in a study, and the tonnage available, some additional tonnage might go up via National Transcontinental in certain periods of the year; and when you have grain moving down, it might go the other way. Under unification that might be one of the details. We have not taken it in, but it might be found to develop larger savings.

Q. So if you assume that the National Transcontinental remains, you not only strike out this figure, but you might have some further figures to substitute?—A. Yes.

[Mr. E. G. O'Brien.]

Q. Now, (b). Why are there no figures?—A. Assuming the National Transcontinental were not available, the Canadian Pacific traffic which we had in view would remain as it was. We put that in because of the possibility of some diversion. We studied this movement to Moncton, but found it was impossible to take any advantage of it. We had it in, and later decided there was nothing to it. This is our working sheet, and the reason why it is not there is that it was not intended to be an exhibit.

By Hon. Mr. Parent:

Q. Not after consolidation with the Canadian National people?—A. Only the Canadian Pacific.

By Mr. Biggar:

Q. If the National Transcontinental remained, there might be some figures to go opposite (b)?—A. Quite possibly.

Q. Figures of savings?—A. In the summer months there might be; in the winter, I think not.

Q. Now (e), Fredericton-Vanceboro, saving, 38,624 train miles, and under saving of freight car miles— —A. The Canadian National had in 1930 a train service between Fredericton Junction and Vanceboro, the end of this blue line, on the border between Canada and the United States, or just in the United States. If there is unified management the two trains could easily be consolidated into one. That is easily consolidated. They are now running there co-operatively.

By Hon. Mr. Hugessen:

Q. That has been done already?—A. A saving has been made of 38,000 miles.

By Hon. Mr. Dandurand:

Q. Under co-operation?—A. A joint train from Fredericton Junction down to Vanceboro. It is a joint facility, not co-operation.

By Hon. Mr. Robinson:

Q. You do not know what the actual saving is as a result of that co-operation?—A. I haven't the figures with me. It is a joint facility, and is divided equally, but it indicates that in 1930 there were two trains running here. That could easily have been handled by one. So you eliminate what was being operated unnecessarily in the view of a unified management.

By Mr. Biggar:

Q. That co-operative agreement is No. 22, page 117, and the actual amount of the joint savings is \$9,000.

By Hon. Mr. Hardy:

Q. Before you leave the main line. You have been discussing this entirely from the standpoint of economies and monetary considerations. Has your company given any consideration to the strategic value of this line as compared with yours, which runs through the United States, and that in case of a war in which the United States was compelled to be neutral we might find ourselves prevented from shipping men and supplies by a rapid route to the seacoast? Has your company considered that?—A. I am not in a position to tell you, sir. My study was devoted to train and car miles, and I do not have available that information.

Q. Would you care to grant that that might have some bearing on the abandonment of the upper line, or is that not within your purview at all?—A. I is not within my purview.

Hon. Mr. BLACK: This is a very important consideration—not in this particular line of discussion; but I think it has a very particular strategic value.

By Hon. Mr. Buchanan:

Q. Would the re-routing of that traffic work to the advantage of the port of Saint John and be detrimental to the port of Halifax?—A. No, sir, I do not think so. That is a question I really should not speak upon, but my present attitude is that it would not affect either of the ports.

Hon. Mr. HORSEY: It looks as though it would affect them very much.

Hon. Mr. BLACK: I think it would be the reverse. I think that if the National Transcontinental line were fully developed for traffic purposes, and you were going to use the shortest traffic route, a great deal more would go to Saint John and less to Halifax. If you are going to develop that without taking into consideration provincial feelings and the normal way in which traffic is flowing at the present time, you have a great saving of mileage in using the National Transcontinental for the Saint John port. I am not putting that up as an argument, because I do not want to see anything disturbed. But that would be the effect.

By Mr. Biggar:

Q. How would the abandonment of the National Transcontinental affect the movement from Moncton to Quebec in train miles and car miles?—A. Sir, we did not work it out in sections of that kind. It was assumed the Quebec traffic would move on the Intercolonial or the train in this direction by Moncton, Campbellton and Montreal.

By Hon. Mr. Parent:

Q. How can it? It does not seem to me you have considered at all the transportation facilities from the Maritime Provinces to the Quebec bridge and up to the city of Quebec.—A. That question was a matter of this kind. You have a number of junctions; you have a local train service; at least where these lines cross; you have turn-outs and set-out tracks where they can be set out and moved in. That is normal practice.

Q. It is normal practice in railroading, but it is not applicable to the city of Quebec. I know local conditions pretty well, and I do not think it is normal practice as applied to Quebec city. There is no such small train as you speak of that enters the city of Quebec now. There is no connection whatever. The whole south shore is by itself.

By Mr. Biggar:

Q. There would be a debit item with respect to any diversion from the National Transcontinental of traffic moving from Moncton to Quebec?—A. I cannot see that, sir, because if you have at Moncton 100 cars to move to Quebec and Montreal—

Q. I am speaking of Quebec.—A. To Quebec.

Q. Yes.—A. You would put all the Quebec cars on the train that moved by the Intercolonial, and if there were Montreal cars that could not be accommodated on that train, they would be sent by the other route. You would send the Quebec cars by the train that would get over there most directly.

Q. I should think that by transferring trains and cars from the National Transcontinental to the Intercolonial to Quebec you would get additional ca

[Mr. E. G. O'Brien.]

miles, perhaps, and also additional train miles.—A. That was taken into consideration in assuming that some traffic would go from Moncton to Saint John. Therefore what was taken off from the mileage on the National Transcontinental and the car mileage on the National Transcontinental as compared with the Canadian Pacific—

Q. But you have returned to the Montreal movement. You are not dealing with the Quebec movement.—A. It might result in some cars for Quebec now moving National Transcontinental being transferred to the Intercolonial. If that were the case, additional cars would be transferred from the Intercolonial to the Canadian Pacific, so you have an offset.

Q. You mean some of them are always moving over each of the diversions, and it would affect the amount diverted in each direction?—A. Yes, sir.

The question has been asked about traffic moving from Saint John in periods of war and going through United States territory. If there is a heavy movement of that kind, grain and other material that would not be prohibited would move through Maine, and traffic which is prohibited would move the other way.

Q. When you speak of half a train, you take an engine, and over what grades?—A. We equated the engines on the basis of the engines then in use as far as we could secure the information. I do not know whether I have that available. I have not got the type of engine, because we have equated it on the tonnage to move and compared the lines on the basis of what we call 100 per cent engine rating. That is rather a technical thing, sir.

Q. Were you taking the four-tenth grade or 100 per cent?—A. Instead of taking grades in this study we took a tonnage rating. A tonnage rating is published by the Canadian Pacific and by the Canadian National, and it shows how many tons can be hauled by any class of engine over a given section. For example, in this section here—

By Hon. Mr. Dandurand:

Q. What section?—A. The transcontinental subdivision from Moncton—I think McGivney Junction is the next district terminal. If you look at the Canadian National working time table it will show you what an engine of a given capacity will haul. These are expressed in percentages—43, 46, 56, 58 per cent—it shows that an engine will haul so many tons. Then there is a method of computing the number of tons on the train. The methods of the Canadian Pacific and the Canadian National are not exactly similar. It is a very complicated operation, but in practice you can tell what a given percentage of engine—that is, its haulage capacity—you can tell how many tons it would haul over a given section.

By Mr. Biggar:

Q. I understood that the tonnage rating that you speak of was related to grades, and consequently that it made a great deal of difference whether you assumed a four-tenths or 100 per cent grade?—A. We did not necessarily assume any grade. We took, in our own case, the record of the number of tons that could be hauled over that. The operating man does not consider grades; he merely considers the numbers of tons that can be hauled by a train. The engineer talks in percentage of grade, but the operating man talks in number of tons that can be handled over what he calls the controlling grade, that is the grade which controls the maximum that can be put on the train.

By Hon. Mr. Murdock:

Q. Would it not be more simple to say that each classification of engine on each division of each railroad has a certain tonnage classification on each division of each railroad?—A. You put it very much better than I could, sir. These

tonnage ratings, sir, are at first theoretical, and then they are checked by what we call dynamometer cars. They have instruments that register the draw-bar pull. After tests with a dynamometer car and by tests with a train that you know the exact weight of, you eventually find out what is a reasonable number of tons to put behind any one class of locomotive.

Hon. Mr. HAIG: I am perfectly convinced that Mr. O'Brien knows this subject, but I do not think we came here to have a lecture on car miles and train miles. I do not think that makes any difference to us.

The WITNESS: I am sorry, sir.

Hon. Mr. HAIG: I am not criticizing you at all, Mr. O'Brien. I am criticizing both our Chairmen, because they apparently want this to go on and on.

By the Chairman (Right Hon. Mr. Graham):

Q. The controlling grade, as I understand it, is the highest grade that traffic can be carried over without calling on a pusher?—A. That is correct, sir, with some little reservation. It is very complicated. We have assisting engines, and double headers, and so on.

By Hon. Mr. Horsey:

Q. For how many miles does the Transcontinental Railway closely parallel the Intercolonial from Quebec?—A. I will try to get you that information, sir. I have not got it.

Q. It would look, from the map, as if something might be done there, in the way of abandonment.—A. That is about 110 miles, sir, roughly estimating it according to the scale on the map.

Q. What is the nearest point where it turns south on the Canadian National?—A. This point, sir (indicating), Pelletier.

Q. The rest of it does not look like a possible abandonment at all.—A. I would call attention, sir, to the fact that there is a railway here, the Témiscouata, from Edmundston to Rivière du Loup.

By Hon. Mr. Parent:

Q. Do you call that a railway? Have you ever seen it?—A. Yes sir, I have.

The CHAIRMAN (Hon. Mr. Beaubien): I doubt whether the Chairman is altogether responsible for the digressions that occur. This is a very long and intricate matter. I wonder if it would not be well to limit ourselves as much as we can to questions that are relevant to the subject.

Hon. Mr. DANDURAND: And, I would add, to questions that are within the jurisdiction of the witness.

The CHAIRMAN (Hon. Mr. Beaubien): Yes, because he often says that such and-such a thing is not within his province. I will restate the principle suggested yesterday by our Acting Speaker of this afternoon, Senator Robinson, that perhaps we had better leave the questioning to Colonel Biggar, as far as possible.

Hon. Mr. DANDURAND: Except, of course, when a member desires to make a certain point clear.

The CHAIRMAN (Hon. Mr. Beaubien): There is no hard and fast rule in the Senate. I am speaking generally.

Hon. Mr. HORSEY: Sometimes it is necessary to vary procedure a little.

The CHAIRMAN (Hon. Mr. Beaubien): Certainly, Senator.

By Mr. Biggar:

Q. I think the next, Mr. O'Brien, is D, Drummondville to Montreal, 28,800 train miles saved and 316,200 car miles. Would you just give us, with regard to [Mr. E. G. O'Brien.]

o that, the persent route, the proposed route, the point of origin and tonnage hat goes into those figures?—A. The present route, via the Canadian Pacific rom this point (indicating).

Q. Which point.—A. From Drummondville on the Intercolonial Railway and on the Canadian Pacific. The traffic moving from Drummondville, which s sent via the Canadian Pacific, comes down this narrow lane as far as a point called Foster, and thence is moves west over the main line of the Canadian Pacific to Farnham, where the train terminates and cars are broken up.

By Hon. Mr. Parent:

Q. Broken up?—A. The train is switched, and that train disappears.

Q. Disappears?—A. We assume, sir, that as the Canadian Pacific has a mixed train service between Drummondville and Foster, that the train would not be necessary; if a unified company had a number of cars to move from Drummondville to Montreal they would put them on the Canadian National through main line. The train miles disappear. The car miles are changed from Drummondville-Foster-Montreal via the Canadian Pacific, or through the shorter nileage from Drummondville to Montreal direct via Canadian National. In so ar as the origin and destination of this traffic are concerned, it does not enter nto the train miles, but we took the number of cars which move via Canadian Pacific to Montreal, and it gave us a definite factor. The cars that remain, which were going to points south and east of Foster or any point south of Drummondville, would not be a factor, because there was a train still there to handle them, and that would make no change in this computation. We have definite factors there, the cars and the tonnage available to move, and it was a question of whether you would move them by the Canadian Pacific triangular route or by the Canadian National, and it did show a saving of the figure shown. The figure would be higher to-day.

Q. Is it not to your knowledge that the population of Farnham would suffer very much by the changes? You have removed certain lines in that district and one additional train miles have been added since, for the population of Farnham.

By Mr. Biggar:

Q. I am sorry, but I could not hear all you said. Can you tell me what the point of origin for this traffic is?—A. The point of origin is Drummondville.

Q. And the point of destination?—A. The point of destination, if destination means where the freight is being pulled to—that did not necessarily come nto this computation. All we had to know was the difference between car miles and train miles as between the two divergent routes.

Q. We are only considering this re-routing of traffic. This traffic originates at some point and it goes to some point. Now, Drummondville is the first point where it originates. And it is going to where?—A. Montreal.

Hon. Mr. PARENT: I beg your pardon. It goes to Quebec also.

By Mr. Biggar:

Q. And you have described what the present route is and what the alternative oute is?—A. Yes.

Q. And as to the tonnage, did you give a figure?—A. It so happens that he tonnage in this particular case was not necessary, as the train did not have ull tonnage. But we did take the tonnage and assume that on the train mileage asis that same tonnage would move by the other route. We knew what was he haulage capacity of that route and equated it between the train miles of he Canadian National direct route and the train miles of the Canadian Pacific triangular route, and it gave us a net figure, which was 28,892 train miles.

Q. Now, will you go to E, which is Ste. Rosalie to Montreal, and give us quite shortly, the points of origin and destination, the present route, the proposed route and the tonnage?—A. Ste. Rosalie Junction, sir, is a point just outside of St. Hyacinthe, which is shown here on the map. This situation is very much similar to the one we have just discussed. The tonnage which had to be moved into Montreal was taken from the actual statistics available in the Canadian Pacific records. Then in so far as train miles were concerned, we assumed that if that tonnage were diverted this train would come off. It handles a very small percentage of its haulage capacity. It is merely operated for competitive purposes, so that the Canadian Pacific may deliver to the Canadian National cars moving east. That would not be necessary, as those cars would be placed on the unified railway there at Montreal, moving directly through.

By the Chairman (Right Hon. Mr. Graham):

Q. Does the Eastern Division of the Canadian National begin there or where of there?—A. They are in regions. The Eastern Region, I think, comes from Riviere du Loup.

By Hon. Mr. Parent:

Q. You say the Eastern Division goes as far as Riviere du Loup. Why does it not go any further in the province of Quebec? You must have some reason. Riviere du Loup is not very far from the city of Quebec, about 125 miles. The province is much larger than that. How do you divide it in that way?—A. The division is made by the Canadian National, and I presume it is for operational reasons. I am merely giving that as the reason; I do not know anything definitely.

By Mr. Biggar:

Q. Mr. O'Brien, could you, without going laboriously through the remaining letters, F to Y, give us a statement for each of the projects and the tonnage diverted? I mean just the kind of thing I have been asking you about with regard to the first five?—A. In some cases we have the tonnage. In others where the tonnage was not a factor I have not the information.

Q. There may be cases in which you have not got the tonnage. But you can, in each case, give the assumptions you made for the purpose of calculation which led to the figures in columns one and two of Exhibit No. 52, can you not?—A. Yes, sir.

Q. I think that would be much easier than going through it line by line.—A. Yes.

Q. Let me call your attention to V especially before we leave it, Mr. O'Brien because it may require some further explanation. It is Kamloops to Vancouver and shows a saving of 398,000 train miles and only 360,000 car miles. Can you tell me why there is a saving of more train miles by 38,000 than there is of car miles?—A. Yes, sir. The train miles and car miles in this particular instance have no connection whatever. There may be a slight difference in the number of miles of road from Kamloops to Vancouver, but if on one route you can have a larger tonnage you decrease very rapidly the train miles. There is not very much difference in the car miles. There is a factor in there in connection with the train miles, but it is very small.

By Hon. Mr. McRae:

Q. If I might make an observation with respect to that section with which I am quite familiar, I think one thing that the figures have not taken into consideration is undoubtedly the necessity at an early date, with increasing traffic—if you abandon the C.P.R. line in that section down to Hope—of duplicating the Canadian National.—A. I have just come into the co-operative study.

[Mr. E. G. O'Brien.]

Q. Naturally it would not be in your study. But that is one feature which should be recognized, because in abandoning the Canadian Pacific from Kamloops to Hope, they will eventually have to double-track the water grade on the other side.

Hon. Mr. HUGESSEN: Mr. Macnabb said he thought all the traffic could be carried on the present line.

Hon. Mr. McRAE: At the present moment; but if we approach anything like the traffic of 1930, it could not.

Hon. Mr. HUGESSEN: He said that the 1928-29 traffic was the peak, and he did not expect that would be approached again.

Hon. Mr. McRAE: That is working a single-track line to the limit. It is not safe not to have a margin. I think that might be gone into.

By the Chairman (Hon. Mr. Beaubien):

Q. It would not affect re-routing at all.

Hon. Mr. McRAE: The line will not stay there if there is any abandonment.

Hon. Mr. HORSEY: The abandonment is economical.

Hon. Mr. McRAE: Yes; but I do think it requires capital expenditure.

The WITNESS: In so far as these particular units are concerned, the question of abandonment does not affect this. The traffic would move by the line which could handle the largest trains.

By Mr. Biggar:

Q. Mr. O'Brien, just one more word about that statement. Would you indicate as far as you can to what extent the savings you are going to give details of depend on abandonment of lines and to what extent they do not?—A. Yes.

Q. With that statement we shall have covered item 5 on page 418. Item No. 1 is covered by the fact that it is all the trains on the 5,000 miles of lines that were supposed to be abandoned. But what are we going to have for items 2, 3 and 4: can you let us have statements of those?—A. Yes.

By Mr. Hugessen:

Q. Before you leave item 5, Colonel Biggar, I want to ask Mr. O'Brien one question.

Are there any other numbers on item 5 similar to the Fredericton-Vanceboro item about which I asked you a few minutes ago where economies have already been made? I have particularly in mind the arrangement that has been made that some of the previous witnesses have told us about that one line takes the other's traffic from Edmonton to Vancouver, which the other reciprocates with respect to the traffic from Calgary to Vancouver. I am wondering whether any of those items should be taken out by reason of that saving having been already accomplished.—A. The Canadian Pacific will deliver to the Canadian National at Edmonton a given number of cars of grain, and the Canadian National will, in turn, give a similar number of cars of grain for the Canadian Pacific at Calgary. We really offset one against the other. It is for the purpose of saving the Canadian Pacific haul of a car from Edmonton to Calgary, and, vice versa, the Canadian National hauling a car north. There is a saving there.

Q. Is that reflected to some extent in the figure *s* in item 5?—A. No, sir. This is a study of the 1930 operations, and that item which you refer to would be under the head of co-operation.

Q. No. I mean would some of the savings you estimated in 1930 be modified by this arrangement which was subsequently made?—A. There is a slight change there. I have not the figures available.

By Hon. Mr. McRae:

Q. Mr. O'Brien, in connection with that diversion, Edmonton to Calgary and Calgary to Edmonton, do you think that goes far enough? Have you taken into consideration the fact—and I ask this without expert knowledge—that you could haul a carload of wheat to Calgary, via Edmonton, and Vancouver cheaper over the C.N.R. directly with its presented grades?—A. No, sir; I have not made that particular study.

Q. You are trying to shorten the haul by criss-crossing. I think you could go very much further under unification, taking advantage of the lower grades because the wheat of lower Alberta and perhaps even to Calgary, would go to Vancouver via Yellowhead.—A. We feel at the present time with the reductions in grade and the use of very heavy power we could approximate a four-tenths grade between Calgary and Vancouver.

Q. Yes. But, Mr. O'Brien, let me remind you that you have justified the excess mountain rate for grain on account of the grades on your system to the coast. That is why we are paying more per mile for hauling wheat westward. I submit to you, as a freight man, if you utilize the Canadian National Railway with its water grade, a lot of wheat you are hauling to the coast to-day would go by Edmonton. Either that, or you abandon the claim that it is costing you more, and therefore justifying the higher rate to take wheat over your grade to Vancouver.—A. That is rather a difficult question. There is a question of mileage in there. If it was a specific study as to the cost of handling freight by one route or the other, we could work it out.

Q. At any rate, you have not taken it into the calculation?—A. No, have not.

Q. That is one, then, you will have to add to your other calculations that you are to make.

By Mr. Biggar:

Q. Mr. O'Brien, what we have done this afternoon really covers the ground until you get this additional statement. You were going to cover items 2, 3 and 4 on page 418.—A. Items 2 and 3, consolidation of merchandise cars and details of the car-loadings at the larger stations, are gone over for individual cars. We had some thousands of sheets and studied each one as to the amount of freight in tons in the car or the actual pounds—

Q. I think if you brought up those thousands of sheets you would alarm the committee to the point that you would not be asked to look at them at all. But I think in order to satisfy the committee that this work has been done, it would be well to bring up those thousands of sheets and let us be shocked.—A. I do not know whether they are available. We have a standard form that gives us that information daily. Our practice is to destroy these detail records after a period of six years.

Q. You can find out whether they are available?—A. Yes.

Q. That covers item 3. What about item 4, re-routing of American cars?—A. That was made, sir, by taking typical months in the summer and winter, taking out the actual mileage from the records of the car account. Once you have the figure of the number of miles and the number of cars for any one month, you can figure fairly accurately the number of miles for a year. That is the basis on which the re-routing of American cars was taken. Pardon me, I should correct that. As to the American cars, the figure, I believe, was an arbitrary one, because the number of routes available and the regulations under which the traffic would be handled changed. But the larger part of that figure was the continuous handling of our own Canadian cars.

Q. I see. What are you going to do for us in the way of giving us details of 90,000 train miles and 4,100,000 car miles?—A. I was looking to see if I had anything here. May I ask you to repeat the question?

[Mr. E. G. O'Brien.]

Q. What are you going to give us in the way of details of these figures?—
Item 4?

Q. Yes, item 4.—A. Everything is available. Probably I can give you an
ea.

Q. To justify them.—A. I could give an explanation of the manner in which
at figure was arrived at. I might forget some details, but I think I could give
fairly logical explanation, and I think I may have available some of the figures
which I based this calculation.

Q. Would it be advantageous to give the explanation now, or would it not
better to leave it until the figures are available?—A. I think I could give this
planation: When we made this calculation as to Canadian Pacific cars we took
two months, and if I remember correctly it was some 93,000 or 94,000 odd miles
r month that the Canadian Pacific moved of Canadian National empty cars and
turned to Canadian National lines. That was approximately a million and some
d miles a year. Then, assuming that the Canadian National had a similar
ndition, we would have 2,000,000 miles a year on the question of returning
rs home. Then there is added, after all the distribution of cars, shorter routes
ailable under unified management. We have dealt in the re-routing with the
ulage of tonnage. That affects empty cars equally as much or more so, and a
gure was added to that—I forget what it was—to which we added a further
timate of what we would save on the American cars.

Q. In other words, you have just started with a figure you have a memory-
ecture of, you have gone on to one you have forgotten altogether, and then
ou have a third that issues from those?—A. Yes, sir.

Q. Cannot you put down for the committee in a short memorandum just
at the assumptions and calculations were that led to these results?—A. I am
deavouring to do that, sir. Could we start with the assumption that we have
proximately 2,000,000 miles on the return of cars, and that there was a saving
I could not give it to you definitely; I do not know whether I have the full
tails available—

Q. You understand, the committee would like to have the assumptions upon
hich you proceeded to arrive at these figures, in order that the validity of these
sumptions may be examined by people who know, so the correctness of the
gures may be tested.—A. Would I add that to the figure for re-routing of
eight?

Q. Yes.—A. I will try to do that.

Q. You will try to do that?—A. Yes, sir.

By Mr. Robinson:

Q. In returning these cars, do you return them in trainloads or put them into
ins that are running anyway?

By Hon. Mr. McRae:

Q. Mr. O'Brien, in the passenger car calculations we had an estimate brought
wn to 1937. The basis of your savings on car mileage, on the train mileage, is
sed on 1930. Could you prepare an estimate for the committee as to the
ent that would be effective, your figures for 1930 based on the 1937 business?

A. The estimate, sir, to be accurate, would take some considerable time. The
estion was asked this morning, and for my own satisfaction I worked out
ghly some figures during the noon hour. I will give them for what they are
rth.

On the basis of 1937 business it would be approximately 1,800,000 instead of
08,000 in the re-routing of traffic, and the car miles would be reduced
roximately 23,000,000. As far as the other items are concerned—that is the
olidation of merchandise cars, heavier loading of carload traffic—that is
ely a computation of tonnage. The relation of the business of 1937 to the

business of 1930 is merely on the 1930 basis, sir. There is a question whether the actual 1937 would be something entirely different.

As to the re-routing of American cars and Canadian empty cars, which not a large item, I did not make any additional computation.

Q. What would you say the percentage reduction might be? If you put it in percentages it would be more readily applicable, I think.

Hon. Mr. PARENT: If you haven't time to give it to-day, you can give it to-morrow.

The WITNESS: In 1930 we handled 29,280 million ton miles, and the average for a fifteen-year period from 1923 to 1937 was very close to the 1930 figure.

By Hon. Mr. McRae:

Q. 1937 would be materially less, would it not?—A. I will give you that a moment, sir. On the Canadian Pacific in 1930 we handled 12,370 million ton miles. In 1937 it was 11,602 million. One is 12.3 as compared with 11. That is in tons.

By the Chairman (Hon. Mr. Beaubien):

Q. You found that 1930 was a good average year?—A. It was very close to the actual average for fifteen years, as far as tons handled.

By Hon. Mr. McRae:

Q. Mr. Meighen reminds me that there is 28 per cent reduction in 1937 as compared with 1930. Generally speaking, I presume that would apply to freight and car mileage and train mileage, as well as other factors.—A. I think that 28 per cent takes in all revenue.

Q. Yes, all revenue.—A. But as there was a serious drop in passenger revenue there was a lesser drop in freight revenue.

Q. How much would you say the freight revenue dropped?—A. I haven't the actual figures, but the tons of freight are 29,280 as compared with 29,000. Freight revenue in 1937 was \$110,348,000, and in 1930 \$133,000,000, so there was a drop of \$23,000,000.

Q. Fifteen or 18 per cent—A. Approximately—18 per cent.

Q. The other question I wish to ask is this. Reverting to the interchange of cars between our two railway systems, that includes the saving on prompt delivery of foreign cars to contact points. Could you give the committee an estimate, or have you an estimate prepared in dollars, showing the saving which might be expected in case of unification by the amalgamation and consolidation of the rolling stock, freight cars, and that sort of thing, of the two railways? We have had considerable discussion about it but have not got it boiled down. I think it would be useful.

The CHAIRMAN (Hon. Mr. Beaubien): Is not that all going to be turned into dollars?

The WITNESS: We have given the basic units of the number of cars moved. The mechanical man will give the basis on which these are made up, then the people who have to handle the money will tell you how that is converted into money.

Hon. Mr. McRAE: I think it would be useful.

Hon. Mr. BUCHANAN: Wasn't there an answer to that this morning?

Hon. Mr. McRAE: I do not think I got my question over.

Mr. BIGGAR: Mr. Jefferson is ready to go on now, I think.

The WITNESS: There is part of your question I thought I might explain. At the place called Three Rivers there is a certain amount of traffic moving from east Canadian National lines. It is delivered to the Canadian Pacific.

[Mr. E. G. O'Brien.]

Garneau Junction, and there is a surplus of Canadian National empty cars at Three Rivers. They must move back up to the Canadian National to avoid an accumulation and the per diem. The Canadian National have another set of cars that are not in the pulpwood territory, and they move them back to Three Rivers empty, and you have Canadian National cars going up and Canadian Pacific cars coming down. That is the type of thing that goes on. The cross movement of empties works into your cost on train miles and car miles.

By Mr. Biggar:

Q. Will you be able to let us have those statements by Tuesday?—A. Yes, Mr. May I ask—

Q. —a reservation, D.V., etc.?—A. No, sir. There is one part of that question I took a note on this morning that I am afraid I have not covered.

Q. Would you like to deal with it?—A. The savings we have been talking of deal only with specific items which were studied. They did not cover the entire question. We took specific portions of the line, such as Drummondville, Montreal, or Montreal to Drummondville, and found out what the savings were in those particular movements. But it is quite possible, and I feel it is more probable, that there would be additional operations discovered wherein under refinement you could save train miles and car miles. The railway people would develop these, and they are constantly being brought to attention. I worked on this six years ago, and travelling over the line now I see things that did not occur to me at the time. Now, I think there was one question asked this morning, as to whether there were any changed conditions. Did you ask that, Mr. Biggar?

MR. BIGGAR: No, I did not ask you that. I prefer to leave that until we have the statements and know what the condition is.

The WITNESS: I have a rough computation here.

MR. BIGGAR: I think we had better wait till we get the exact figures.

By Right Hon. Mr. Meighen:

Q. Mr. O'Brien, I understood this morning that the basis of computation of savings was \$1 per train mile?—A. Yes, \$1 per train mile. The only time I made reference to money in this calculation was where I had no other particulars available. We worked with car miles and train miles, and, as you see, in some instances they bear no relation to one another.

Q. Does \$1 per train mile apply equally to passenger and freight?—A. I would say that freight costs more. I have not made any general calculation that would cover the entire territory. In technical work such as I am engaged in, we do not take a general rule of thumb figure; we take each situation as it comes up and develop the costs for a particular service. They vary with the track, for instance, and the interference with other trains, and thousands of other factors. We figure exactly, instead of taking a rule of thumb. Generally, my impression is that a freight train mile is considerably more costly than a passenger train mile.

By the Chairman (Right Hon. Mr. Graham):

Q. That would be for haulage?—A. For the distance that the train moves. There is more coal, and there is a difference in the rates paid to the men, and longer hours on the road—quite a number of other factors that would tend to make the freight train mile a little more costly.

Q. But the overhead on passenger trains, with the streamlined cars and air cooling, and so on, would be heavier than on freight cars?—A. Yes, the costs of passenger cars at the present time are very heavy, sir.

Hon. Mr. McRAE: Mr. Chairman, inasmuch as this figure for passenger train miles is before us, would it not be well to have the actual figure for freight trains?

Hon. Mr. MURDOCK: So far as wages are concerned, 100 miles on freight service normally constitutes a day and 150 miles on passenger service constitutes a day, for the purpose of calculating wages.

C. E. JEFFERSON appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Jefferson, you are the Freight Traffic Manager of the Canadian Pacific Railway, are you not?—A. Yes sir.

Q. And you have been so since 1930?—A. That is right.

Q. And you were with the Canadian Pacific before that for how long?—A. Since 1923—in fact, it goes back to 1906, except for a year and a half.

Q. You are going to tell us how the figures in Exhibit G, on the lower half of page 421 of the proceedings, were arrived at?—A. This estimate was prepared under my jurisdiction and direction, and was made after careful and detailed study of the movement of traffic over both systems on international interstate and Great Lakes traffic movements.

Q. What were the assumptions upon which you proceeded, or the facts that you found and that led you to the figures?—A. I would like to show you on the map the change in the routing on which the calculation was based.

Q. There was more than one change, I suppose, was there?—A. Yes, there were six.

Q. Perhaps you might indicate them on the map, and then tell us what assumptions you made with regard to tonnage and matters of that kind?—A. The first one that was taken was the rerouting of Canadian National and Canadian Pacific traffic to and from points on the Maine Central Railroad, east of Portland. To-day the Canadian Pacific interchanges that traffic with the Maine Central at St. Johnsbury, and the Canadian National with the Maine Central at North Stratford, New Hampshire. With the unification of the two lines that traffic could all move via Canadian National to Portland or to Yarmouth and Danville Junction, and then over the Maine Central to point east.

Q. What assumptions did you make with regard to tonnage and matters of that kind?—A. I took our tonnage that we interchange with the Maine Central at St. Johnsbury and estimated what additional earnings the lines to Portland would receive, and applied the increased earnings to our tonnage and to similar tonnage for the Canadian National.

Q. Do you mean your own tonnage of the year 1930?—A. Yes sir.

Q. And the Canadian National tonnage, how did you arrive at that figure?—A. I did not have their figure, but I assumed it was about the same as our own.

Q. Do you remember what the amount of your own was? Have you got that?—A. I have not that here, no sir.

Q. But you could tell us what the amount was?—A. Yes sir.

Q. Having got the tonnage and made those assumptions, you applied the same rate to the whole tonnage, or different rates for different kinds of materials?—A. No, I applied an average amount per ton to the entire tonnage.

Q. Where did you get your average amount per ton?—A. What I did was I estimated that if this traffic was interchanged with the Maine Central down here at Yarmouth Junction or Danville Junction or Portland, that we would not have to allow the Maine Central any greater earnings east of Portland down to Yarmouth Junction than they receive east of Portland on traffic moving over the Niagara frontier and Hudson river gateways and over the Boston and Maine to Portland. You understand that the bulk of the Canadian Pacific and the Canadian National interchange with the Maine Central is what we call overhead business, going to western state points from Detroit.

[Mr. C. E. Jefferson.]

Q. But how did you get this average rate that you applied to the tonnage?
—A. Well, I took, say, from Chicago, if you will, to New England, and I figured what the Canadian Pacific and the Canadian National are now allowing the Maine Central, and what they are being allowed over this route via the Niagara gateway.

Q. I may be quite wrong, but I had an idea there was a different rate charged on different kinds of commodities?—A. That is right.

Q. Now, you were taking different materials and applying the same rate to all kinds?—A. Yes.

Q. How did you find the rate, having regard to the varying rates on different commodities?—A. I took a number of examples, say, of fifth class traffic, or newsprint paper going westbound, the heavy movement commodities.

Q. You did not trouble about lighter movement commodities at all?—A. No. I mean the commodities that do not move in a great number of cars a year.

Q. You found out the amount of tonnage that the Canadian Pacific handed over at this point?—A. That is right.

Q. And you assumed that the Canadian National handed over an equal amount at this point?—A. Yes.

Q. So you took double the Canadian Pacific tonnage?—A. That is right.

Q. And then you looked up what the chief part of the Canadian Pacific tonnage was, four or five commodities?—A. The heaviest movement commodities.

Q. The principal part of the tonnage?—A. Yes.

Q. And you found out what the rates on that were and you applied the average rate on that to the whole of the tonnage of both the Canadian Pacific and the Canadian National?—A. Yes sir.

Q. And that gave you a figure of what?—A. Do you mean in money?

Q. In money.—A. That figure in that instance was \$135,000.

Q. Was there any credit against that, any deduction to be made?—A. That was taken care of—that is the operating expenses, do you mean?

Q. Well, you have got a total figure here in the first amount on Exhibit G of \$2,135,000?—A. Yes.

Q. And then you have four items which you deduct from that. Were there any deductions to be made from this special item of \$135,000 that you speak of?—A. No sir, only to the extent of the net change in the operating expenses.

Q. How much did you deduct from the \$135,000 to get a net advantage?—A. I did not figure that part of it. That was figured by a party who will present another statement. I merely did it from the gross point of view.

Q. Then we need not bother about the net, so far as you are concerned?—A. No sir.

Q. Now, take the next case.—A. The next case I took into consideration was the re-routing of Canadian Pacific traffic from and to points in New England served by the Boston and Maine, the Boston and Albany, and the New York, New Haven and Hartford Railways. That covers all this territory.

Q. What is "all this territory"?—A. All this territory in New Hampshire, Vermont, Massachusetts, Rhode Island and Connecticut.

By Hon. Mr. Parent:

Q. How does the C. P. R. handle that, through the Quebec Central?—A. No, sir. The Canadian Pacific handles its traffic to-day to New York, Newport and Vermont by traffic interchange with the Boston and Maine at Wells Rivers; with the Boston and Albany we interchange with the Boston and Maine at Wells River, and the Boston and Maine take it down to Springfield and interchange it with the Boston and Albany. In the case of the New York, New Haven and Hartford Railroad, we interchange it with the Boston and Maine

at Wells River, the Boston and Maine take it to Springfield or Worcester and deliver it to the New Haven Railroad there. Westbound is the reverse movement of that traffic. We figured that the Canadian National would handle it from Coteau down over the Central Vermont to White River Junction. On the Boston and Maine business we would only save this little distance from Wells River to White River Junction. That is, the unified lines would get the additional money. On the Boston and Albany traffic, however, we would eliminate the Boston and Maine, and the Central Vermont would handle it down as far as Palmer, Massachusetts, and interchange it with the Boston and Albany direct.

Q. How did you arrive at the tonnage and the rate to apply in that case?

—A. In that case I took our interchange with the Boston and Maine at Wells River.

Q. And doubled that?—A. No, sir, because it would not change the routing of the Canadian National traffic. That would continue to be handled as it is to-day.

Q. So it was only the traffic on the C. P. R. that you took into account?

—A. Yes.

Q. And you got actual figures of the tonnage?—A. Yes, sir.

Q. What was the tonnage, do you remember?—A. No, I don't remember the tonnage.

Q. How did you arrive at the rate?—A. In that estimate I estimated that the increased earnings to the unified lines would be possibly \$200,000.

Q. If you give us either the rate per ton or the number of tons, we can tell the other thing.—A. Yes, sir. I have the tonnage, but I have not it with me here.

Q. You can let us have a memorandum of the tonnage and the rate?—

A. Yes.

Q. You arrived at the rate in the same way as the last, that is, you took the same number of items and averaged the rates on them and applied that to the whole tonnage?—A. Yes.

Q. I see. What is next?—A. The next one is the re-routing of Canadian Pacific traffic between eastern United States territory that is west, we will say, of Lake Champlain and the Hudson River and east of the Niagara frontier. That territory is served by the Delaware and Hudson connection. That is, to-day the Canadian Pacific handle that traffic over the Napierville Junction—rather between Delson, Quebec, and Rouses Point, New York. In this estimate we concluded we would eliminate the Napierville Junction Railway because the Canadian National runs direct to Rouses Point and we would keep all the money in the new line.

Q. How did you arrive at the tonnage and rate in that case?—A. In that case I took our interchange with Napierville Junction.

Q. And that was all?—A. Yes.

Q. Did you arrive at the rate in the same way as in the other cases?—

A. That is right, sir.

Q. And you can give us the tonnage?—A. Yes, sir, I can give you the tonnage.

Q. How much did you think you could save from that re-routing?—A. In money?

Q. Yes.—A. \$200,000.

By Hon. Mr. Hugessen:

Q. I am afraid I do not quite understand how the saving arises there. Will you explain that a little further?—A. The saving, as Mr. Biggar expresses it means that instead of the Napierville Junction Railway handling the traffic between Delson, Quebec, and Rouses Point, New York, the Canadian National—

Q. Handles it to the Delaware and Hudson?—A. Yes.

Q. I see.

[Mr. C. E. Jefferson.]

By Mr. Biggar:

Q. Next?—A. The next one is the re-routing of Canadian Pacific traffic to and from eastern United States territory that is east of the Niagara frontier, using the Canadian National system between Hamilton and the Niagara frontier instead of the Toronto, Hamilton and Buffalo Railway to Welland and the Michigan Central Railway from Welland to Buffalo.

Q. Can you give us how you get at the tonnage and the rate?—A. The tonnage was determined in the same way as the other. Our interchange is with the Toronto, Hamilton and Buffalo Railway.

Q. And the rate in the same way as before?—A. Yes, sir.

Q. How much money was involved?—A. \$900,000.

Q. \$900,000?—A. Yes, sir.

Q. And that is only with respect to the haul from Welland to Buffalo?—No, from Hamilton to Buffalo.

Q. I do not follow that. Most of that business from Hamilton eastward has to be hauled in either event by a Canadian line.—A. That is right; but to-day by the Toronto, Hamilton and Buffalo Railway from Hamilton to Welland.

By Hon. Mr. McRae:

Q. Who owns the Toronto, Hamilton and Buffalo Railway?—A. That is owned by the New York Central, the Michigan Central and the Canadian Pacific.

By Mr. Biggar:

Q. Oh, you are theating that line as being either Canadian Pacific or Canadian National line?—A. Yes.

Q. I thought that was Canadian Pacific line.—A. No; a portion of the line.

By Hon. Mr. Hugessen:

Q. Did you make allowance for the fact that the C.P.R. has a third interest in the Toronto, Hamilton and Buffalo Railway?—A. Yes; I am taking the gross revenue.

Hon. Mr. MURDOCK: I do not think they have a third interest now.

By Hon. Mr. Hugessen:

Q. I thought you said the Toronto, Hamilton and Buffalo Railway is owned by the New York Central, the Michigan Central, and the Canadian Pacific.

By Mr. Biggar:

Q. But not necessarily in equal shares.—A. But I did not take our interest in the T. H. & B.—the Toronto, Hamilton and Buffalo Railway—into my figures. I am dealing with gross earnings.

Q. Take the next one.—A. The next one is the re-routing of traffic which the Canadian Pacific interchange with the Great Lakes Transit Corporation at Windsor, Ontario. That is largely westbound traffic originating in New England and New York City going to Chicago and Milwaukee. We interchange with the Great Lakes Transit Corporation at Windsor. The Transit Corporation has a boat line from Buffalo, Milwaukee and Chicago, making a stop at Windsor; but instead of continuing to handle that traffic by that route, we handle it over the Canadian National Railways to Depot Harbour and over the Canada Atlantic Transit Company, which is a Canadian National Steamship line that runs between Depot Harbour, Milwaukee and Chicago.

Q. Did you determine the tonnage and rate in the same way as before?—A. In that case, if I remember correctly, I had the earnings that we paid the

Great Lakes Transit Corporation in that year, and instead of applying that just substituted the Great Lakes Transit Corporation earnings by allotting it to the Canada Atlantic Transit Company.

Q. And the amount?—A. \$100,000.

Q. What was the next?—A. The next one was the re-routing of Canadian National and Northern Navigation Company traffic, which now moves via Sarnia going to the Canadian head of the lakes, Fort William and Port Arthur. Instead of handling it by the Northern Navigation Company, it will be handled by the Canadian Pacific Great Lakes Steamship line, which operates between Port McNicoll and the Canadian head of the lakes.

Q. How did you get at the tonnage and the rate there?—A. In that instance I knew the tonnage that the Canadian National handled to and from the Canadian head of the lakes. I did not know where it originated or where it was destined, but I took the terminal average amount per ton eastbound and westbound.

By Hon. Mr. Parent:

Q. Are those boats freight and passenger boats of the Canadian National?—A. The Canadian National steamers from Depot Harbour to Chicago and Milwaukee, that is, the Canada Atlantic Transit Company's boats, are freight boats.

By Mr. Biggar:

Q. You spoke of an average of what?—A. Amount per ton.

Q. Then how did you get at the tonnage?—A. I had the tonnage.

Q. I thought you said you knew the tonnage, but you did not know where it came from.—A. That is right.

Q. That is the tonnage at the head of the lakes?—A. I had the amount in tons, but I did not have the point of origin or the destination point, because it was at the head of the lakes on the one hand—

Q. But you applied it to all that arrived at the head of the lakes?—A. That is right.

Q. An average rate?—A. Yes.

Q. How much was involved?—A. In that estimate there was \$600,000.

By Hon. Mr. Hugessen:

Q. Where is the element of saving in the sixth one?—A. It is not so much an element in the amount of saving; it is a question of giving to the unified line either the Canadian National in the one case or the Canadian Pacific in the other, traffic which is now moving over other roads or steamship lines.

Q. It was a diversion of freight traffic from Sarnia to Depot Harbour?—A. Sarnia, yes. Of course this line from Sarnia to the Canadian head of the lakes, the Northern Navigation Company, is not a Canadian National owned line.

Q. Is it not?—A. No, sir.

Q. So that traffic under unification would be moved by—A. Canadian Pacific steamships to Port McNicoll.

Right Hon. Mr. MEIGHEN: New business.

By Hon. Mr. Haig:

Q. And vice versa traffic all around the lakes to Chicago and Milwaukee would go back to the line they own?—A. Yes, sir.

By Hon. Mr. Hugessen:

Q. I thought the Northern Navigation Company was part of the Canadian National.—A. Not that I know of, sir. It is owned by the Canada Steamship Lines.

[Mr. C. E. Jefferson.]

By Hon. Mr. Calder:

Q. The old Grand Trunk used to do business with them.—A. Yes, sir.

Q. And still do.—A. But they didn't own it.

By Mr. Biggar:

Q. Mr. Jefferson, a figure that corresponds somewhat to, or is related to the same kind of thing as your \$2,135,000, less the amounts that are deducted on page 421, is contained, is it not, in Exhibit 42, the Canadian National estimate of savings, which is to be found, I understand, at page 489 of the proceedings?—A. Yes, sir. That is, we estimated a gain in gross revenue to the unified systems, resulting from the re-routing of traffic, of \$2,135,000.

Q. Yes.—A. The Canadian National estimate, as shown on page 489 of the record, is \$5,385,800.

Q. How do you get that dollar figure there?—A. In the Canadian National exhibit.

Q. In the second column?—A. Yes, sir.

Q. And that estimate of gross revenue of \$5,385,800 compares with your 2,135,000?—A. That is correct.

Q. Can you tell from this Canadian National estimate why it exceeds yours by \$3,250,000?—A. Well, the larger estimate of the Canadian National was mainly due to their having included an amount of \$3,000,000 for readjustment on inter-line divisions. There is no corresponding item in the Canadian Pacific estimates, mainly because of the difficulty found in estimating accurately a money what could be accomplished, though we realized that unification would afford an opportunity of substantially improving railway operating revenues through the adjustment of inter-line divisions. This would take time, but during a period of five years it should be accomplished.

Q. What about your view, from your knowledge of the approximate accuracy within five years, of the Canadian National's \$3,500,000 additional?—A. Well, it was not all that. That was one item of \$3,000,000. Now, there was another item they took into consideration which we did not. Another item included in the Canadian National estimate and not included in the Canadian Pacific estimate was one with respect to the re-routing of Canadian Pacific traffic moving through the Windsor-Detroit gateway to the Grand Trunk Western Railway, a Canadian National railway line.

Q. Where is that? In Exhibit 42?—A. In Exhibit 42. I do not know that all of it is there, but it would be included in the second and third items.

Q. That is to say, in the \$339,400 and the \$4,417,600?—A. Yes, sir. At present the Canadian Pacific railway interchanges Canadian and New England traffic at Windsor, Ontario, or Detroit, Michigan, with the Michigan Central, the Wabash, the Pere Marquette, the New York Central, the Pennsylvania and other United States railways. The Canadian National Railways interchanges its traffic with western United States roads mainly through the medium of the Grand Trunk Western. While there is no doubt that a large amount of traffic which the Canadian Pacific Railway now handles could be diverted to the Grand Trunk Western, especially that originating in Canada, the situation with respect to New England traffic is somewhat different. The traffic connection of the Canadian Pacific with the Michigan Central, Wabash, Pere Marquette, New York Central, Pennsylvania and other western roads at Windsor and Detroit is one of great value. Should unification take place the management might well think it unwise to work solely with the Grand Trunk Western, particularly with respect to New England traffic.

By the Chairman (Right Hon. Mr. Graham):

Q. The Grand Trunk Western is via Sarnia?—A. Yes, sir. It would be necessary to continue to work closely with all those lines in order to avoid their diverting traffic to competing lines.

Q. That is United States lines?—A. Yes, sir.

By Mr. Biggar:

Q. Taking into consideration the necessity of working with those lines what would you say as to the propriety or otherwise of the approximate figure of \$3,500,000 odd being added to your savings of \$2,135,000?—A. I consider that much can be said for including it in the estimate.

Q. Is that approximately an appropriate figure?—A. I do not know that it is out of the way.

Q. You think it is not out of the way?—A. No.

Q. Now, one other question. What if any difference should be made in these figures, do you think, either your own of \$2,135,000 or the other figure of five million odd, by reason of any difference in the situation as between 1930 and 1937?—A. Well, so far as the example which I gave you and on which I made an estimate is concerned, without making a detailed study, but speaking from my knowledge of traffic movements, I do not think 1937 would make very much change in 1930. There might be a variation of a few hundred thousand dollars, but not a great deal.

By Hon. Mr. McRae:

Q. Would it be as much as 20 per cent? It was 18 per cent on the car and train mileage. I should think it would be at least that much on the diversion.—A. Not necessarily, on 1937. It was a fairly good year in the United States except the last part of it.

By Mr. Biggar:

Q. The revenue ton miles—I suppose that would be the test—of the whole systems in 1930 was 26,740,000, and in 1937, 24,143,000. Would the difference be greater than that difference of approximately one-thirteenth?—A. No, I would not say it would, for the reason that in those figures you just read the traffic between New England and the Western States or Eastern States and Canada did not have such a drop as that.

The CHAIRMAN (Right Hon. Mr. Graham): You have to understand the locality and the railway location to really get a grip on the idea of what might occur.

By Hon. Mr. Murdock:

Q. It seems to me the Canadian National figures of \$5,000,000 odd are predicated on the assumption that all the Canadian Pacific business to the United States would go over the Grand Trunk Western either from Detroit or Port Huron, while the figures that are given by the Canadian Pacific, the unified system, are predicated on Detroit.—A. There are two points. One was the interchange traffic at the Detroit River gateway, as we call it, with United States roads, where it would all be done through the Grand Trunk Western or with other lines, and also what improvement could be effected in the earnings of the unified railways by reason of adjustment of inter-line divisions.

Q. Is not that generally the difference between the Canadian National figures and your figures?—A. Yes. There is not much difference.

By Mr. Biggar:

Q. Your remarks about your own figures, comparing 1930 and 1937, stand. I mean there is not much drop so far as that \$2,135,000 is concerned?—A. That is right.

Q. Now, suppose you take into consideration the necessity of letting the traffic go as it is, how great would be the addition that might properly be made

[Mr. C. E. Jefferson.]

to that figure in respect of those two items you have referred to as included in the Canadian National figures but not in yours now? Can you tell us that?—A. You mean that we would consider everything with the exception of the interchange at Detroit?

Mr. BIGGAR: I said I was going to finish with this witness. I see he has another subject.

Hon. Mr. BLACK: One moment, Mr. Chairman. There are quite a few matters to come before the Banking and Commerce Committee, and I understand there are some to come before the Railway Committee. Perhaps we should have a meeting of the Banking and Commerce Committee on Tuesday. There are some people who have to be notified about the date. The Lord's Day Bill and the Exportation of Electrical Fluid Bill have to be dealt with.

Hon. Mr. DANDURAND: I thought that when we finished with the Canadian Pacific's presentation we could give the Canadian National a few days to digest these figures which are new to them, and in that interval we could put our standing committees into motion.

Hon. Mr. BLACK: I just wanted to call attention to the matter. Most of the members of this committee are on the Banking and Commerce Committee. I have had requests from people who want to be heard, and they want to know if they are to be here on Tuesday.

The CHAIRMAN (Right Hon. Mr. Graham): There is one bill before the Railway Committee, which was delayed for some time in the other House. There was a good deal of discussion about the delay over there, and its sponsors are very desirous that it should not be held up any longer.

The CHAIRMAN (Hon. Mr. Beaubien): Before what committee is the Farmers' Creditors Arrangement Act?

Hon. Mr. DANDURAND: The Banking and Commerce Committee.

The CHAIRMAN (Hon. Mr. Beaubien): What date is fixed for the hearing on that?

Hon. Mr. BLACK: There is no date fixed.

Hon. Mr. DANDURAND: I do not know how many more days the Canadian Pacific will require to present their case. We shall be sitting to-morrow. Perhaps Mr. Flintoft could tell us now how many more days the Canadian Pacific will need.

Mr. E. P. FLINTOFT, K.C.: Of course, Mr. Chairman, we are in the hands of the committee. So far as our evidence is concerned, if it could be just recited it would not take very long. But we appreciate that a great many matters which come up lead to questions on the part of the committee. It is impossible for us to say how much longer will be taken. But I can say that we have a number of other witnesses, and that I think you would be very fortunate if you got through with us next week. It will probably be necessary to recall some of our witnesses at a later date, as well.

The CHAIRMAN (Right Hon. Mr. Graham): Do you think we could have a meeting of our Banking and Commerce Committee before you went on again next week?

Mr. FLINTOFT: That would be agreeable to us, sir, if you so desired.

The CHAIRMAN (Right Hon. Mr. Graham): That would give you a little more time to prepare those documents that have been asked for. There are pressing matters before our Standing Committees.

Mr. FLINTOFT: It will be quite agreeable to us, sir, if it suits the convenience of the committee to defer further examination of our witnesses until Wednesday or Thursday, or any day you say.

Hon. Mr. DANDURAND: I am afraid that we should lose time that way, because in any event we shall have to discontinue our hearings in this committee for two or three or four days, after the Canadian Pacific has finished, in order to give the Canadian National officials an opportunity to examine the documents and figures that have been presented here.

The CHAIRMAN (Right Hon. Mr. Graham): This is a very important matter, but, with all due respect to the railways, I must say that there are other important matters in which our citizens are concerned.

Hon. Mr. DANDURAND: To what is my right honourable friend referring?

The CHAIRMAN (Right Hon. Mr. Graham): The Niagara Falls Bridge Bill. The Province of Ontario was very much annoyed, as I understand it, by the delay that took place in the other House, and there is a strong desire that the Bill should be proceeded with here as quickly as possible.

Hon. Mr. HAIG: We ought to go on with this committee, and get through in time to give the Canadian National an opportunity to answer what has been put in by the Canadian Pacific. It would not be fair to have the Canadian National prevented from closing its case by prorogation.

Right Hon. Mr. MEIGHEN: Is this a case between the Canadian National and the Canadian Pacific? It is an unfortunate situation, if it is.

Hon. Mr. DANDURAND: We shall need some expert advice. I wonder upon whom we can call. Many questions that have been discussed here to-day are Greek to me. I would remind Mr. Chairman Graham of this, that even if we dealt with the Niagara Falls Bridge Bill this week its passage would not be hastened very much, because there is not likely to be another Royal Assent before the end of the session.

The CHAIRMAN (Right Hon. Mr. Graham): I am not sure that some things would not be gone ahead without that. I repeat that there has been a good deal of discussion in the Ontario press because it was felt the Bill was not attended to as promptly as it should have been in the other House.

Right Hon. Mr. MEIGHEN: I did not notice that in the press.

The CHAIRMAN (Right Hon. Mr. Graham): You did not read the right press.

Right Hon. Mr. MEIGHEN: I read the Brockville Recorder.

Hon. Mr. DANDURAND: I think we should go on with this inquiry until we finish the Canadian Pacific's presentation, and then adjourn it for a few days and dispose of our legislation.

Hon. Mr. BLACK: I am satisfied.

The CHAIRMAN (Hon. Mr. Beaubien): In the meantime, the standing committees will not sit?

Hon. Mr. DANDURAND: Well, they may sit for half an hour or so.

The CHAIRMAN (Hon. Mr. Beaubien): It will be very important for us to know if committees with important bills before them are sitting, so that people from a distance who wish to be heard may have notice.

Hon. Mr. DANDURAND: I am not suggesting there will be sittings to deal with the most important bills.

The Committee adjourned until 10.30 a.m. to-morrow.

EXHIBIT No. 52

DETAILS OF REDUCTIONS IN FREIGHT, MIXED AND OTHER TRAIN MILES AND
FREIGHT CAR MILES DUE TO RE-ROUTING TRAFFIC

(Filed by C.P.Ry. Co.)

Item 5—Re-routing of freight traffic:		Freight, Mixed & Other Train Miles	Freight Car Miles
(a) Nova Scotia points to Montreal and West	Cr. 43,200	799,200	
(b) St. John-Montreal . . . . .	.....	.....
(c) Fredericton-Vanceboro	38,624		
(d) Drummondville-Montreal	28,892	316,200	
(e) St. Rosalie-Montreal	16,368	117,800	
(f) Intrastate traffic—Wells River and Newport-White River and Coteau	271,000	5,000,000	
(g) Quebec-Montreal	50,000	2,000,000	
(h) Montreal and Ottawa-Smiths Falls and North Bay . .	.....	.....
(i) Smith Falls-Carleton-Ottawa	16,000	182,500	
(j) Montreal-Toronto-Windsor	150,000	540,000	
(k) Montreal-Port McNicoll-Midland	35,400	Cr. 620,000	
(l) Kingston-Tichborne	20,354	40,486	
(m) Toronto-North Bay-Sudbury	140,000	Cr. 102,200	
(n) Hamilton-Guelph Junction	5,248	68,200	
(o) Toronto-Midland	64,840	.....
(p) Lakehead East to Sudbury . . . . .	.....	.....
(q) Eastern Canada (Misc. Branch Lines)	100,000	2,500,000	
(r) Fort William-Winnipeg	385,000	7,080,000	
(s) Winnipeg-Saskatoon	42,500	300,000	
(t) Prairies-Okanagan	40,000	984,000	
(u) Prairies-Kamloops	131,149	425,000	
(v) Kamloops-Vancouver	398,000	360,000	
(w) Miscellaneous Branches-Western Canada	90,000	3,150,000	
(x) O.C.S. coal and other Company's material	360,000	13,250,000	
(y) Longer haul on traffic re-routed for greater earnings	Cr. 232,000	Cr. 8,900,000	
	<u>2,108,175</u>	<u>27,491,186</u>	

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 15

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Mr. T. E. McDonnell, President, Canadian Pacific Express Co.

Mr. R. A. Pyne, Superintendent of Motive Power & Car Depts., Western
lines, C.P.Ry.

ORDER OF APPOINTMENT

Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely poor railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Ham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

FRIDAY, May 27, 1938.

The Special Committee appointed to inquire into and report upon the means of relieving the country from its extremely serious railway congestion and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Colonel O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): Before we proceed, may I ask the members of the committee whether they have received a copy of an address given in New York on the 11th instant by W. L. Waters, on the railway situation in Great Britain. This is a subject upon which we were very desirous of getting information, and it seems difficult to obtain that information. I have read this address and found it most interesting. Mr. Waters is an engineer, a graduate of London University, a member of several engineering societies in the United States, and has had experience in Canada and the United States. He gives a very clear statement of the situation created in Great Britain by new legislation. I thought that if members of the committee had not been furnished with a copy of this address, they should be; and with your permission I will ask Mr. Biggar to be good enough to see that every member of the committee is provided with one copy.

Hon. SENATORS: Hear, hear.

Mr. BIGGAR: I can arrange that, Mr. Chairman. I have already been in communication with the author of that pamphlet. Also, through Mr. Yates, I have got from the appropriate department of the British Government, through the High Commissioner for Canada, a speech made by one of the high officers of the London, Midland and Scottish Railway. Officials of the department in England said that, while the speech was not official, they thought it represented the situation at the time it was delivered, in 1934. I thought if the committee decided to go into the British situation and the effect of the British legislation, that we could use that material and consider whether we wanted to have any witness on the subject.

Hon. Mr. BLACK: There is a small book which was written in 1937, which deals with the British situation right up to date. I have a copy of it and will give it to the committee. Purely as a source of information, it is the best I have seen on the subject.

Hon. Mr. HAIG: The pamphlet that Mr. Chairman Beaubien has referred to contains an address which was given in New York just the other day, on the 11th of May. It is very good. I do not know who sent me a copy, but I have received one.

The CHAIRMAN (Hon. Mr. Beaubien): I got one with the compliments of Mr. Waters.

Hon. Mr. HAIG: It is short, only nine pages.

The CHAIRMAN (Hon. Mr. Beaubien): It is very short and very clear, and very encouraging. I must admit that it has destroyed certain of my preconceptions on the British situation, to a certain extent, so far as competition is concerned, for instance. It shows what the new legislation has done from the

point of view of the public and of the men who work on the railways. I really believe this investigation would be incomplete if we did not have information that can be obtained so easily in this way.

Hon. Mr. SHARPE: Hear, hear.

Hon. Mr. DANDURAND: Should the statement of the Chairman go into record or not?

The CHAIRMAN (Hon. Mr. Beaubien): I do not care. The statement is of no account. It is merely advice that I thought it was necessary to give to the committee.

Mr. BIGGAR: I should like to have the direction of the committee. There are two ways of dealing with it: one is to distribute the pamphlet in the form in which it now is, or to have it printed.

Hon. Mr. HAIG: I would suggest that it should not be printed, but that it be distributed in its present form. It tells all about the speaker.

Mr. BIGGAR: And then, the other document is not in print.

Hon. Mr. DANDURAND: Is it long?

Mr. BIGGAR: No, about ten pages of typewritten material.

The CHAIRMAN (Hon. Mr. Beaubien): Shall we say that both memoranda be furnished to the committee?

Hon. Mr. DANDURAND: Before they go into the record.

Mr. BIGGAR: Mr. Flintoft tells me that if we allow the balance of Mr. Jefferson's evidence to stand over the week-end it can probably be considerably shortened. So, with the committee's permission, we suspend Mr. Jefferson's examination and go on with the question of express economies, with regard to which Mr. McDonnell is in a position to inform us.

Hon. Mr. HAIG: I wonder if, instead of these depositions, the witnesses could give us written statements. Then they could be cross-examined on them afterwards, and it would save a lot of time.

Mr. BIGGAR: That is what I should like to do.

Mr. T. E. McDONNELL was called as a witness and took the stand.

The WITNESS: My name is McDonnell. I am President of the Canadian Pacific Express Company. I have had about fifty-one years of service, almost equally divided between the United States and Canada. At the time of the unification of the express business in the United States in 1918, having had charge of the subsidiary business of the Canadian Pacific, and having closed that I came back home.

At the time this estimate of \$1,450,000—

By Mr. Biggar:

Q. You might tell us, Mr. McDonnell, what is the relation between the Canadian Pacific Express Company and the Canadian Pacific Railway Company.—A. The Canadian Pacific Express Company is a wholly owned but separately operated subsidiary of the Canadian Pacific Railway.

Q. Yes. Now, will you go on.—A. At the time this estimate of \$1,450,000 was made, I was both President and General Manager of the Canadian Pacific Express Company. I thought it would be helpful to the committee if I told them why and how that estimate was made.

Q. That is the estimate that is in Exhibit J at page 426 of the proceedings.—A. Yes; amounting to \$1,450,000.

At the time of the request from the Vice-President of the Canadian Pacific Railway Company to make such an estimate, there were before me details

[Mr. T. E. McDonnell.]

tial estimate made by the Canadian National Railways, covering their express activities; and there was before me also information from the Canadian Pacific railway as to the discontinuance of about seven and a half million passenger train miles as part of the formula on which the estimate was to be made.

Q. You were to assume that number of passenger train miles would be abandoned?—A. Yes, sir.

Now, what was done. We took the partial agency expenses of the Canadian National at, I think it was, forty competitive agencies, referred to in their Exhibit No. 19 at page 512 of the proceedings.

Q. That is the Canadian National one?—A. Yes.

Q. It is part of Exhibit No. 42 before the commission.—A. There are listed here, as you will see, a number of competitive express agencies, starting at Halifax and going clear across the country. They are forty in number, I think. We had the Canadian National expenses for those agencies, and of course we had our own. With local superintendents and the man actually in charge at each of those agencies, we proceeded to determine how much we would require in addition to our own agency expenses to take care of the volume of traffic handled by them, the Canadian National, which we had a very good idea of.

In regard to those agencies, having arrived at that figure, and knowing what the separate costs were, we were able to set down a saving for each of those agencies.

We were confronted with this situation, that there were other competitive express agencies at which salaried employees were involved, that were not included in the Canadian National figures. They were, I think at the moment, twenty-three in number. We knew what relationship those twenty-three in our own service held to the forty, and we made one assumption, that the twenty-three of the Canadian National would hold the same relationship to their total, which we knew. Whether that was a reasonable assumption or not, it was made.

Q. It was the best you could make in the circumstances?—A. Yes.

By the Chairman (Hon. Mr. Beaubien):

Q. Twenty-three express companies outside?—A. No; agency offices.

By Mr. Biggar:

Q. There were forty express agencies in that list of the Canadian National on pages 512 and 513. They had figures in regard to those. They extended those figures to the local twenty. Is not that the position?—A. To the twenty-three.

Q. Yes.—A. We then went into the divisional supervisory offices, such as general superintendents and superintendents. We had the figures of the Canadian National estimates of that, we had our own, and in conjunction with each station of the country, with our general superintendent or superintendent, we set down and set up a supervisory office to cover the combined business by adding our own expenses what we thought would be required for a consolidated company, and of course in that way, by subtracting one from the other, we were able to set down what the saving was there.

We then moved on to headquarters and did the same in the treasurer's office, the accounting office and the auditor's office, and clear on up to the president's office. When we got all through we had the figure of \$1,450,000 separated among the million primary accounts, as you have them there in Exhibit J.

This is a point which may help the members of the committee to appraise the relative accuracy of the estimate. At about the same time that this estimate was made, I made a separate estimate for Sir Edward on a basis of what the savings would be with a combined express company, but without any reference to combining the railways. That was used by him in his presentation to the Staff Commission—I have forgotten the page at the moment in the Commission's proceedings, but you will find a reference there to express savings of \$900,000.

Following that, later there was a joint co-operative express committee, which appraised the situation jointly with all figures before them, and made a recommendation that there should be a joint express company, with the railways remaining separate, and that the savings would be \$1,000,000. I simply mention that to help you to judge whether the people who made the estimate of \$1,450,000 on one basis and \$900,000 on the other, confirmed by the \$1,000,000 estimate, were reasonably accurate and careful in their estimate.

Q. Did you have to do with the preparation of the joint estimate of \$1,000,000 as well as the estimate of \$900,000?—A. I was on the joint committee, sir.

Q. And having regard to the information that you got on the joint committee, did that tend to confirm or vary your figure of \$1,450,000 that you arrived at in Exhibit J?—A. I would have to answer that this way, Colonel. The joint express committee made no estimate on what the saving would be with the railways unified; but naturally one of those items is included in the other.

Q. Quite so.—A. But the larger estimate shows the difference in that item of savings as between having unified railways and separate railways.

Q. What I meant was, did you find in the subsequent information that you got in connection with the joint work any reason that led you to any different conclusion from the conclusion you had arrived at independently?—A. The only difference is that we had underestimated the savings by \$100,000.

Q. Would you now put this figure of \$1,450,000 as \$1,550,000?—A. Not necessarily. The result of the joint work raised the \$900,000 estimate to \$1,000,000.

Q. I see.—A. Would this be a good time, while we are talking about that joint committee, to give you some information as to what it was and who were on it?

Q. Perhaps it would.—A. The members of the first joint express committee were, for the Canadian National, Mr. E. P. Mallory, Mr. Hungerford's assistant, Mr. J. B. McLaren, who at that time was the comptroller of the Canadian National Railway, and Mr. G. E. Bellerose, who was the general manager of their Express Company. The Canadian Pacific members of that same committee were, Mr. H. J. Humphrey, who is now the Eastern Lines Vice-President Mr. W. H. Plant, who is now the comptroller of the Canadian Pacific Express Company, and myself.

Q. Mr. McDonnell, this estimate of \$1,450,000 was on the basis of the traffic of 1930, was it not?—A. Yes, Colonel. But before we go to that, it is suggested that I give you some information as to the activities of this joint committee which in some way helps to confirm the estimate with which we are dealing.

Hon. Mr. BLACK: Mr. Chairman, those estimates approximate each other so closely that I do not think we require any further confirmation of the figures.

Hon. Mr. DANDURAND: I felt the same way. That is why I am discussing the point with Mr. Biggar.

Mr. BIGGAR: If the committee is quite satisfied, we might let Mr. McDonnell know that.

By Hon. Mr. McRae:

Q. There is one question I should like to ask. You seem to be in agreement on your estimate of a saving of \$1,000,000 under co-operation. Why was not that put into effect?—A. I think, senator, the answer to that question may be involved in the history of this thing that I was going to give you briefly. The Joint Committee which I just named was appointed, I think, on the 3rd of March, 1933, and on the 6th of March, 1933, three days later, they made the first unanimous report that a unified express company was feasible and desirable.

[Mr. T. E. McDonnell.]

and could be brought about by the organization of a jointly owned express company. They said among other things that the detailed savings were being arranged by joint committees and would be reported as quickly as they became available.

They made their second report on the 20th of April, 1933. All of these reports are unanimous.

By Mr. Biggar:

Q. Yes?—A. They named a few of the agencies that had been surveyed jointly by subcommittees, and reported unanimously that the saving at those agencies would be at the rate of \$750,000 per year.

On the 23rd of June in the same year, 1933, they made their third report, at the total saving inclusive of the savings previously reported would be about \$1,000,000 per year. In their earlier reports they had said to the railways that they would undertake to find a formula on which the results of the operation of such an express company might be equitably decided between the two railways. The formula is based on this theory, that there are only two things a railway puts into its express business—one is capital and the other express car miles; and the only one thing it can hope to get out is what is left after everybody else is paid.

We then proceeded to find out what the gross revenue of each of the express companies was over a period of a year, and on a comparable basis of accounting that each had paid to carry on that business. From the two railways we were informed that each of them had operated so many express car miles during the year, and we found that of the gross joint business the Canadian National had done 56 per cent and had operated 55 per cent of the car miles, and that the Canadian Pacific had done 44 per cent of the gross business and had operated 45 per cent of the car miles. Of the net results of those operations 50 and a fraction per cent of what was left had accrued to the Canadian National, and 49 and a fraction per cent had accrued to the Canadian Pacific.

We then set down our formula: The combined express company will have the right and the obligation to route the traffic so that it will make the best time and in the most economical way; they will to the best of their ability call upon the Canadian National for 55 per cent of the car miles, and the Canadian Pacific for 45 per cent; and the money that is left at the end of the year will be divided between the two on the same percentages they had received separately; and if, notwithstanding the best efforts of the express company there is not an actual balance of car miles throughout the year and throughout the country, the over or under proportions will be adjusted between the railways by themselves on some agreed rate per car mile to make up what they had or had not done.

Q. I see.

By Hon. Mr. Black:

Q. That would appear to be a very fair proposition. Why was it not put into effect?—A. As the Chairman of the portion of the committee that represented the Canadian Pacific, I can tell you what was done. I am not sure that I should be expected to tell you why it was not done.

By Hon. Mr. McRae:

Q. Was the statement which was made before the Banking Committee two or three years ago the reason why that was not done? Am I correct in saying there was political interference?—A. I would not know about that, senator.

Some Hon. SENATORS: Oh, oh.

The WITNESS: On the 4th day of August of that same year the committee made a fourth report.

By Mr. Biggar:

Q. That is still 1933?—A. Yes. In the meantime the accounting committees had found certain small items that might not be expected to recur in the future, and they changed their percentage divisions slightly, a fraction of one per cent, which is not material to the story being considered at the moment. Following that, in a little more than a year after these reports had been made and there was no unification of the express, in the month of September, 1934, this committee was reconvened because certain changes were said to have occurred during the more than a year that had elapsed, and they were asked to re-survey their previous work and, in addition, to give answers to six questions having to do with what might happen if there was a 25 per cent increase in traffic, or, if it was 50 per cent, what money would have to be spent to do this, and so forth.

Keeping in mind that during the year that had elapsed there had been a certain downward revision of pay-rolls, the committee reported on the 17th of September, 1934, among other things, that the saving with all those things considered at that time would be \$825,000—that is, with reduced pay-rolls—and in addition they gave the answers to the six questions which had been asked.

The next thing we heard about it was that there was a new committee appointed, a larger committee; and if it will be of interest, I will give you the names of the larger committee.

Hon. Mr. MURDOCK: Can we not get those six questions and answers specifically, Mr. Chairman?

The WITNESS: I am quite willing, sir, if it is required, to file these reports with the committee. The ones I have before me are the original signed reports, and I suppose if I turn them over I will get the originals back?

Mr. BIGGAR: Certainly.

The WITNESS: Is it your wish that they be filed?

The CHAIRMAN (Hon. Mr. Beaubien): If you have in a few words what the six answers were, perhaps we could see if it is useful to have them printed and filed.

Hon. Mr. MURDOCK: Here is the point. In this statement that we have got from the Canadian National on the same subject, in Exhibit 19, at pages 512 and 513, we find this statement:

C.P.R. figures are not available, but using those for the C.N.R., the above would mean a reduction in operating expenses (based on August 1931) as follows.

Then when we go to the bottom of page 513 we read:—

This reduction amounts to 3.7 per cent of the total operating expenses of the combined express companies including "Express Privileges" as reported to the Dominion Bureau of Statistics.

And above that:

Summarizing the above, reduction in expenses under joint operation would be:—

And then the figures are given. Now it seems to me that these questions Mr. McDonnell refers to, and the answers, would more definitely show us what their view was of the status of this question.

The WITNESS: Would you like me to read one or two of the questions and answers?

[Mr. T. E. McDonnell.]

By the Chairman (Hon. Mr. Beaubien):

Q. Yes.—A. (Reading):

1. Question: Assuming the traffic level of 1933, what realizable decrease in operating expenses could be effected by a unification of the express facilities of the Canadian National and Canadian Pacific Railways, service to the public remaining at the same standard of excellence?

Answer: Approximately \$825,000. The expense figures used in this calculation are based upon the adjustment of 1933 actual wage rates to the rates prevailing at the end of 1933 and which have continued in effect up to the present.

2. Question: What cash expenditures in the way of additional or changed facilities would be necessary to make this unification effective?

Answer: \$2,175, divided as between Railway \$75 and Express \$2,100. Offsetting this expenditure of \$2,175 there would be released for disposal or other use express equipment costing \$198,000.

3. Question: What increase in operating expenses might be expected on the part of each express facility operated independently in the event of a 25 per cent increase in traffic over the level assumed in No. 1, and similarly what increase in operating expenses of the unified express services might be expected under similar conditions?

Answer: Canadian Pacific Express, \$321,680; Canadian National Express, \$378,037; Unified Express Company, \$676,344.

4. Question: What additional cash expenditures for increased facilities or changes in facilities would be necessary in the event of unification and a 25 per cent increase in traffic over the level stated in No. 1?

Answer: \$24,595, divided as between Railway \$22,495 and Express \$2,100. Offsetting this expenditure of \$24,595 there would be released for disposal or other use express equipment costing \$116,150.

5. Question: What increase in operating expenses might be expected on the part of each express facility operated independently in the event of a 50 per cent increase in traffic over the level assumed in No. 1, and similarly what increase in operating expenses of the unified express services might be expected under similar conditions?

Answer: Canadian Pacific Express, \$704,078; Canadian National Express, \$994,126; Unified Express Company, \$1,621,386.

6. Question: What additional cash expenditures for increased facilities or changes in facilities would be necessary in the event of unification and a 50 per cent increase in traffic over the level stated in No. 1?

Answer: \$140,993 divided as between Railway \$24,295 and Express \$116,698. Offsetting this expenditure of \$140,993 there would be released for disposal or other use express equipment costing \$57,418.

All this information is being made available to all members of the enlarged Committee as constituted following decision of the Joint Executive Committee at its meeting held on June 5th, 1934. It is anticipated the enlarged Committee will meet at an early date to deal with the third commitment, as agreed to at the Joint Executive Committee meeting of June 5th.

By Hon. Mr. Murdock:

Q. Is there not one important question missing? How much would be necessary to take care of the grey-haired oldtimers who would be turned loose by this consolidation?—A. Inasmuch as the people who were dealing with the matter had in mind taking good care of them, I suppose it would not be necessary to ask the Joint Committee to answer that.

By Mr. Biggar:

Q. You are going to give us the names of the members of that enlarged committee?—A. Yes sir. The enlarged committee was appointed in the autumn of 1934; the date will be shown in the report. The Canadian National members of that committee were: Mr. Bernard Allen of the Bureau of Economics; Mr. G. E. Bellerose, of the Express Company; Mr. D. Crombie, their general transportation man at that time; Mr. R. W. Long, their Freight Traffic Manager; Mr. Mallory, Mr. Hungerford's assistant, and Mr. McLaren, the Comptroller of the railway. And on the Canadian Pacific side there were: Mr. Humphrey, Vice-President; Mr. Jefferson, Freight Traffic Manager; Mr. Neal, Vice-President of Western lines, in the beginning, who later substituted Mr. Mather; Mr. Plant, Comptroller of the Canadian Pacific Express Company, and Mr. Unwin, at that time Comptroller and now Financial Vice-President of the Canadian Pacific Railway.

By Hon. Mr. Haig:

Q. No relation to the man in Alberta?

Mr. FLINTOFF: We shall make inquiries as to that, sir.

The WITNESS: That enlarged committee was charged with the responsibility of investigating all matters as between the express company and the freight department and the highways, the meeting of highway competition, the relation of express companies with each other, and so forth. That committee met on the first and second days of October, 1934, reported some general conclusions which will be filed, if you require them, and considered a statement of the Canadian National representatives that they could separately save \$900,000 odd by joining up their own express and freight departments. We were not able to agree that all of the items included in that estimate were comparable to the things we were dealing with; and we appointed a sub-committee of two, one from each side, to draw up a formula which would guide any other sub-committees in taking out figures to determine either that they were on a comparable basis or would be put so. That sub-committee has not been able to meet, nor has the larger committee functioned in any way since some time in the year 1935.

Mr. BIGGER: Does the committee think it is necessary to have these minutes filed?

By Hon. Mr. Cantley:

Q. Mr. McDonnell, did the express companies increase their rates appreciably within the period of the last eight or ten years?—A. No, sir, but they have very materially decreased them.

Q. I had an idea that there was a considerable increase a few years ago?—A. The last increase, Senator, was either in 1920 or 1921.

Q. What was the effect of that?—A. To pull the express companies out of the red at the time being.

Hon. Mr. McRAE: Mr. Chairman, I personally should like to express to Mr. McDonnell my appreciation of the clear and concise and complete way in which he has presented his case. I think it would be well that these minutes be placed in the proceedings, for purposes of reference.

By Hon. Mr. Robinson:

Q. Mr. McDonnell, you stated at the beginning that your calculations were based on the reduction of 7½ million train miles. Would a change in that situation change your estimates any?—A. If you do not discontinue those 7½ million train miles you would remove from the \$1,450,000 saving about \$135,000. If you remove only a portion of the 7½ million miles, whatever proportion you remove, the same relative proportion will apply to the \$135,000. For instance, there is \$135,000 saving with all removed; but if you only remove half, the saving would go down to half of \$135,000.

[Mr. T. E. McDonnell.]

Q. The express companies, as I understand it, are independent companies, although owned by their respective companies. That is correct, is it not?—A. Not entirely. The Canadian Pacific Express Company operates as a company wholly owned by the Canadian Pacific Railway Company. The Canadian National Express Company operates as a separate express organization, being a department of the railway, but with a separate set of employees.

Q. But they are practically independent? That is, a unification of the express companies would be possible without unification of the railways, and vice versa?—A. Yes. And we have made estimates both ways, and the difference between the two is the difference between \$1,000,000 and \$1,450,000.

Q. There is a suggestion there that the Canadian National branch of your last committee made an estimate that by amalgamating their express and their freight they would save \$900,000?—A. They presented figures to that effect and they were questioned in the Joint Committee as to whether or not they were comparable with what we were dealing with.

Q. That is, amalgamating their own express company alone?—A. Their express company and their railway.

Q. But if \$1,450,000 were saved by unification, they would get only half of that?—A. Yes.

Q. So, if their contention is correct, they would save more by amalgamating with their own railway than they could save through unification?—A. The make-up of their figures, as having any relation to comparison between the two estimates, was questioned, and that is why a sub-committee was appointed.

Q. But what I say is correct, that if their claim could be substantiated, they would save more money that way than they could save by unification?—A. But they have not done it.

Q. But, if it could be substantiated?—A. I can only assume this—

Q. You do not answer my question.—A. If they could substantiate their claim, yes.

Q. That is what I asked.—A. The best evidence that they cannot substantiate their claim is that they have not realized their saving without reference to us at all.

Q. I do not think that is an answer.

Hon. Mr. HAIG: That is a good answer, I think.

Hon. Mr. BLACK: I might suggest that a very proper question would be, when the pertinent time comes: why did the Canadian National not do that?

Hon. Mr. ROBINSON: Yes, quite right.

Hon. Mr. BLACK: I want to see the Canadian National save money. If we have no unification, we want the Canadian National to adopt every method within reason to save money. If they could have saved \$900,000 there, why did they not do it?

By Hon. Mr. Haig:

Q. The Canadian National presented to you a proposal that \$900,000 odd could be saved, which estimate you questioned. Have you got a copy of that estimate that they presented to you?—A. I will see, sir. I do not find it at the moment, Senator.

Q. If you have it, will you produce it?—A. We will produce it for you.

Hon. Mr. HAIG: I suggest that that be filed, so that we may have a fair basis of comparison and be able to see what if anything has been done towards carrying out the proposal. Mr. McDonnell says that the Canadian National submitted to the Joint Committee an estimate that they could save \$900,000 odd by combining express and freight. I should like to see that submission and I should like to inquire, when the Canadian National representatives are on the stand, how much actual saving they have made under that proposal.

The WITNESS: I have found it, Senator. It is contained in the report of the enlarged Joint Express Committee, of a meeting held on the 1st of March, 1935. I will read it to you.

Hon. Mr. HAIG: You do not need to read it; you may file it.

The WITNESS: It is not very long. It says:—

The Canadian National section of the Committee presented a memorandum of annual savings that they estimated would accrue to the Canadian National Railways by the separate consolidation on that system of their L.C.L. Freight and Express Departments, subdivided under three main headings:—

1. Savings due to the physical combination of the work of the two present departments.. . . .	\$239,000
2. Savings in general, of payment to full time railway employees for the handling of express traffic:—	
Express Commissions.. . . .	\$174,000
Express Transfer allowances.. . . .	13,000
Allowances to Baggage-men handling	
Express work.. . . .	35,000
Displacing Train Messengers or Bag-	
gagemen.. . . .	124,000
	<hr/>
	346,000
3. Cancellation of way-freight train miles through the handling of L.C.L. freight on passenger trains.. . .	317,000
	<hr/>
Total.. . . .	\$902,000

in support of statement previously made that such action would produce savings in excess of savings accruing to them from Express unification.

By the Chairman (Hon. Mr. Beaubien):

Q. What do you mean by "L.C.L."?—A. Less than carload.

Hon. Mr. MURDOCK: Mr. Chairman, right here, it seems to me, while this question is coming up, we ought to go into an analysis of certain principles involved. These express companies have sometimes been referred to as cream separators of particular railroads. Originated entirely as separate companies in the years gone by for the purpose of utilizing under favoured conditions the facilities afforded by the respective railroads for the purpose of transporting parcel or commodity goods on express trains to various parts of Canada, they have been unkindly, or bluntly, referred to as constituting a cream separator process. The railroads formed these express companies just as they formed additional companies to handle their telegraph business, and, yes, other business. The question arises right now when we are asked to take into consideration that the Canadian National undertook to do what? To co-ordinate the real functions of a railroad, that is, the handling of L.C.L.—less than carload—freight and express packages and performing the work that, it seems to me and some others whom I have met in years gone by, should always have been performed by this co-ordination. We ought to take that viewpoint for what it may be worth under advice. Here was the Canadian National, in the interests of the Canadian people, putting together those two services to handle less than carload lots of freight and express service as near as possible under reasonably fast conditions. That question comes up here, and I think we should not consider this submission properly—and I am not disagreeing with it very much—unless we take into consideration whether now, and, maybe, in the years gone by, these services should have been together and the operating results included in the general operating results of the parent railroad or railroad under which the service was carried on.

[Mr. T. E. McDonnell.]

Hon. Mr. DANDURAND: I understand, Senator Murdock, that this was the old story, but that to-day the Canadian Pacific Express Company belongs to the Canadian Pacific Railway Company, and the Canadian National Express Company belongs to the Canadian National Railways.

The WITNESS: Mr. Chairman, may I interject? In so far as the alleged "cream separator" is concerned, in connection with the Canadian Pacific it now and always has been owned wholly and completely by the railroad. If there were any benefits derived from the express company they were not diverted from their proper channel; and if there were any losses the parent railroad had to meet them.

Hon. Mr. MURDOCK: That is conceded.

By the Chairman (Hon. Mr. Beaubien):

Q. The C.P.R. got the cream?—A. Whatever it was.

Hon. Mr. MURDOCK: At the same time there was a separate process in making the earnings.

Hon. Mr. HAIG: On the Canadian National?

Hon. Mr. MURDOCK: Both.

Hon. Mr. HAIG: The Canadian National owns its own express company.

Hon. Mr. MURDOCK: Yes. That is one of the questions that ought to be taken into consideration, whether there should not be more co-ordination of railway facilities.

Hon. Mr. HAIG: That has nothing to do with your charge about the "cream separator."

Hon. Mr. MURDOCK: I beg to differ. It has a great deal to do with it. These express companies in years gone by were originated and carried on for many years for no other purpose.

The WITNESS: Never on the Canadian Pacific.

Hon. Mr. MURDOCK: They were carried on for no other purpose than to make specially favoured earnings.

Hon. Mr. HAIG: The witness declares it was not so on the Canadian Pacific, and I do not believe it was so on the Canadian Northern.

By Hon. Mr. Horsey:

Q. The Canadian Pacific never made an estimate of the savings by co-ordination the same as the Canadian National has done.—A. We have never been able to find a way to do it efficiently or economically.

By Hon. Mr. McRae:

Q. There is no L.C.L. in your express estimate, it is purely express, is it not?—A. The definite answer to that is, yes, it is purely express. But unless I gave you an explanation it might mislead you. In the provinces of Manitoba and Saskatchewan they found that in order to meet the invasion of the highway carrier it was necessary to use passenger train service for this night less than carload. On the Canadian Pacific Railroad the freight traffic department operating officers said, "If it is going to move on passenger trains let the express company handle it." The Canadian National said, "No; we will move on passenger trains and our freight department will handle it." It is the same kind of traffic; on one railroad it is freight, on the other it is express; but it is moved under express tariffs. We think our way is the best from the standpoint of the public, and that it is the most economical. They do not agree with us, and they do it the other way. Apparently we are both satisfied.

By Hon. Mr. Robinson:

Q. I want to follow that up. Mr. McDonnell, you take exception to estimate of the Canadian National and say their figures are not correct. I am very much interested in this, but I do not know whether you really mean that or not. Do you mean those figures are not correct?—A. If the savings were made, sir, they would not be due to amalgamation of your express, failure to amalgamate. So far as my own personal opinion is concerned, it was given openly in the joint committee.

Q. Perhaps you would not care to state it here?—A. Yes. Of the \$902,000 there was only one item, \$239,000, that really required investigation. The others could be made or not made as they pleased, according to the policy of the system. You can either pay a train baggageman for handling express or not pay him. You can pay country railroad agents a commission for handling express, or you can take it away from them, according to your policy—you might try to take it away from them! That has nothing to do with the co-operative efforts to be arrived at jointly. One item they refer to, savings due to physical combination of the work, was in my opinion the only thing that required exploration. I wanted the express joint committee to do the exploring, but I have not been able to get them to do so yet.

The CHAIRMAN (Right Hon. Mr. Graham): I am accused of talking politics. Stop me if I do so now.

The WITNESS: I would not understand you, sir.

The CHAIRMAN (Right Hon. Mr. Graham): You would not be in any worse position than some other gentlemen are.

Hon. Mr. HAIG: But some other gentlemen might know when you are talking politics, all the same.

The CHAIRMAN (Right Hon. Mr. Graham): They might think they do. This is what I have in my mind. As you can understand, I have for years taken an interest in this matter that we are discussing now. I took up the paper one day and read that my friend, Dr. Manion, had introduced a Bill in the House of Commons to provide facilities in case these express companies wished to unite. I followed it closely. The Bill was dropped. Was it found—shall I say impracticable—

The WITNESS: Would inexpedient be the word?

Hon. Mr. McRAE: Not opportune.

By the Chairman (Right Hon. Mr. Graham):

Q. Inexpedient would be the word you would use; we cannot use it here. But I was much interested in it, as a great many other people were, but I never got any information as to why the Bill was dropped.—A. Nor did I.

Hon. Mr. HAIG: I suggest we call Dr. Manion to give an explanation!

The WITNESS: I knew the Bill was introduced, and then withdrawn. Beyond that I have no information.

By the Chairman (Right Hon. Mr. Graham):

Q. I was not going to press you to say why it was not done, but to tell me if you can think of any business reason why it should not be done.—A. I was in favour of it being done.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. McDonnell, it was not withdrawn at the suggestion of the railway companies, as far as you know?—A. I have no knowledge whatever as to why it was withdrawn, but it was withdrawn.

[Mr. T. E. McDonnell.]

By Hon. Mr. Hugessen:

Q. When was that Bill introduced? It will be rather interesting to know at.

Hon. Mr. HAIG: About 1934.

Hon. Mr. HARDY: I think it was withdrawn because the House of Commons would not listen to it.

By Hon. Mr. Hugessen:

Q. Do you know when it was introduced, Mr. McDonnell?—A. My recollection is it was during the session of 1935. There is one other point, if I may go on now?

By Mr. Biggar:

Q. Yes, Mr. McDonnell.—A. I have tried to find some short method to enable the committee to determine whether an estimate of \$1,450,000, based upon 30 operations, would be valuable to-day, or indicative of what might be done to-day. Now, it is true that our express gross revenue in 1937, compared with 1930, is down probably from 21 to 22 per cent; but the thought goes through my mind, and the suggestion I make is, that you do not effect your savings out of gross revenue; you make them out of the expense account; and the expense account is related to the amount of work that you do.

I have asked our people in Toronto, the comptroller and representatives in my own office, to take certain figures that they get—not audited figures, but figures that come in in the ordinary course of business—and they tell me that for the first four months of this year, 1938, compared with the same four months of 1930, measuring the work done on the number of shipments handled, we have now an increase of 15 per cent over that time; and if we measure it on a weight basis, an increase of 18 per cent. So if the difference in the volume of work handled now and then has some effect on the saving, it would seem to tend towards increasing the saving rather than decreasing it. Have I made clear the difference between revenue and expenses?

Q. I think so.—A. There is one other point that I think is relevant for the information of the committee. You have heard references as to whether or not displaced employees would be absorbed in the natural turnover during the period of five years. I took our own express company's actual experience for the year 1937. I found how many men had been retired on pension, how many withdrawals from the service there were on account of deaths, resignations, dismissals, or other causes, and got a total. Then I took the staff record, starting in 1938 and carrying it forward for five years into 1942, to show how many of our employees would reach retiring age in each of those succeeding five years. When I put them all down and divide them by five, I find there is a greater number to be pensioned during the next five years than were pensioned in 1937. I cannot determine whether the death rate would be the same, but if we amalgamate the businesses and on seniority retain the older men, we shall have a group of advanced age with probably more deaths. So that assuming—without knowing—that the Canadian National express figures are comparable to ours, because they are of the same kind with people doing the same kind of work at largely the same places, the two together would have displacements of that kind during five years a little bit more than the number of employees that would be replaced if we amalgamate on the basis of this \$1,450,000. For what it is worth I give you that.

The CHAIRMAN (Right Hon. Mr. Graham): It is almost too good.

The WITNESS: There is one other point.

By Mr. Biggar:

Q. Yes, Mr. McDonnell?—A. In qualifying as a witness I called your attention to the fact that I had had quite a few years' experience in the United States, and was there when the amalgamation went on. It was stated, I think, Mr. Fairweather's evidence, that the result of amalgamating the express business of the United States had in some way disturbed the railroads, and that they were not happy over it. About that same day or week the only railroad system in the United States that had remained out of the amalgamation, the Southern System of Railroads, down in the southeastern part of the United States, with an express company known as the Southeastern Express Company, were before the Interstate Commerce Commission at Washington seeking permission to suspend their company and join the larger company. So, if, as Mr. Fairweather intimated, what had been done was a bad thing for them, these fellows had not heard about it, and were trying to join the parade.

You will find what Mr. Fairweather said at page 200:

Q. You stated before the Royal Commission that in the United States they have consolidated their express services?—A. Yes, sir.

Q. But they have not consolidated their freight services?—A. They did this consolidation, sir, long before highway competition came along, and it is giving them a lot of concern right now.

Q. That is what I wanted to learn from you,— —A. Yes, sir. They are finding in the United States just exactly the condition that was indicated in that thing there. They are finding that this consolidated express service is in many cases a thorn in the side of the railways that are paid by the owners of it.

And they are seeking to put in another thorn at the moment.

By the Chairman (Hon. Mr. Beaubien):

Q. And the last one?—A. And the last one.

By Mr. Biggar:

Q. I think that covers the ground.—A. Except as to consolidating freight and express, in regard to which I might call attention to this. The United States Co-ordinator, Mr. Eastman, had a section of his committee working for some time more than a year on a plan to consolidate the carriers of all merchandise, package freight, express freight, forwarding companies, car forwarders and so forth into one organization. They got out a report that was about the size and thickness of the Montreal telephone directory. It spoke of hundreds of millions of dollars to be saved by that plan. The railways appointed a joint committee to go into it, and that committee found the proposals impracticable and of no value to them, and so far as I have heard nothing has been accomplished as a result of that report. That is why I answered the senator here a few minutes ago that, as far as I am concerned, I have never found a way to efficiently or economically bring together traffic which may move either freight train or passenger train, and express train as well. We have gone a long way towards doing it in some parts of Western Canada, but we have not found a way and do not know how to do it generally.

By Hon. Mr. Hugessen:

Q. They do it in England, do they not?—A. My information on that second-hand, and if you will take it I will give it to you. They have in England passenger train service for parcels—what they call parcel service, and I am informed that they have separate pick-up and delivery vehicles. They have goods train, and have separate vehicles for that. They charge more for, and separately treat, the parcels that move on passenger trains.

[Mr. T. E. McDonnell.]

No matter what you call it, it is the activity, and there is a natural aggregation between the two. Over my 50 years of experience I have known of many railroads in the United States that have tried to do it by combining or making it an ordinary part of the railway work, but every one of them gave it up and went to the other method.

If you look, right here at Ottawa, or at Montreal or Toronto, you will find that within the last year the express company has undertaken to do for the railway company the pick-up and delivery service of its freight department. In the city of Montreal we have about 100 trucks. They are not the same trucks that the express company uses; they are not painted the same colour and have not the same name on them; but the express company owns and operates them for the railroad for a price. They are serving shippers whose traffic moves to and from the Place Viger freight sheds, and the express is handling traffic to and from the Windsor street passenger station, and they just won't mix economically. Although the same company is doing the work, it is doing the one separately from the other.

By Hon. Mr. Murdock:

Q. May I ask a question? You read from page 200 of the evidence. I do not criticize what you read at all, because you did not need to read further; but if you had read further you would have found a thought expressed as a result of questions by Right Honourable Senator Meighen and the Chairman, Senator Beaubien, that I feel sure the committee would like to have your views upon. Immediately following the paragraph you read, wherein Mr. Fairweather expressed almost a condemnation of the system of having a joint consolidated express service on many of the various railroads in the United States, the question was asked by the Right Honourable Mr. Meighen:—

Q. Why would it be so? I cannot get that. Surely they can give a better service consolidated and compete better with the trucks.—A. Well, sir, I think—well, I hardly know how to explain it, but I would say this. Perhaps I can speak frankly with regard to the situation right inside our own company. We have found it the most difficult thing in the world, having an express department right inside our own company, to keep that department on its toes, and at the same time restrict it from competing with the freight service. Naturally, you go and tell a man, "Your specialty is express," and he goes out and starts to expand his specialty. He is a business man and sees all sorts of opportunities to expand his express business, and he never thinks—he does not know as a matter of fact—that he is stepping on the toes possibly of other departments of the railway.

By the Chairman (Hon. Mr. Beaubien): Q. Freight?—A. Yes; particularly L.C.L. business. Now, it is the duty of staff officers and executives of the company to cure that sort of thing, and it is a serious piece of work. I think the Canadian National has a very efficient express department, and they work in harmony, for the most part with the freight services; but to say they work entirely in harmony is not right. Now, that is the situation—

By Hon. Mr. Côté: Q. If I may interrupt there. Then the result is that instead of three competitors, as you were mentioning a moment ago, the two railway freight services and a consolidated express service, you now have four, your express service, the C.P.R. express service, and your respective freight services.—

I think the committee would like to have your view as to the benefits, if any, of having a co-ordinated, consolidated effort on the part of express men and freight men to secure business for the company without undertaking to encroach upon one another's rights, because it is a transportation service.—A. I raised the

question of the difference in the approach in the provinces of Manitoba and Saskatchewan, where one railroad company said to its express company, "You take and deal with that part of the traffic which is moving on passenger trains make any rates required or permitted to meet highway competition," and the other railroad said, "We will use the passenger trains, but we will set up two services." My answer to that is that you have two express companies and two freight departments. By consolidating the two express companies you eliminate one and thereby make some of your savings.

By Hon. Mr. Hugesson:

Q. Isn't that the gist of what Mr. Fairweather said, which is to be found on page 201 in answer to a question of the Chairman:—

That is, the Canadian National freight service should be divided into two arms, the expeditious service moving on the passenger trains and the freight moving on freight trains. They would not be in competition with each other, because they would be under the same integral control. There would be the same men soliciting traffic, the same men making rates and the same men handling the traffic. In other words, we should adopt in Canada what the Englishman has used for a long period of years, and very successfully.

That was what was in my mind when I referred to the English system.—A. In my opinion—what I was after was results rather than a formula—to compete with highway competitors you must have your passenger train service and your freight train service equally fast; and if you have a passenger service that will do the job, to the extent to which the passenger train service can take care of it there is no use speeding up the freight service. And if we did, as they do in England, where they have found if I am correctly informed that they require separate pick-up and delivery service—

Q. But not a separate organization such as an express company.—A. It naturally segregates itself, and it is my firm conviction that by having a separate express company and taking advantage of the money order business and all those other things you really do it cheaper and more efficiently than if you tried to mix it up with the freight.

By Hon. Mr. McRae:

Q. Referring to the competition between the freight and the express departments, and the railway owning the express company and getting the higher rate naturally there are greater profits in moving the commodity at the higher rate.—A. Well, yes.

Q. So there is no serious objection to competition between freight and express because the more revenue the express has, the more revenue the company has.—A. Whatever revenue there is reverts to the railway. And I would like to make this clear, that as between the Canadian Pacific Express Company and the Canadian Pacific freight department there is no conflict and no misunderstanding. If and when the Express Company is asked by the freight department as it frequently is, to meet a situation by lowering rates, we sit down and discuss it. We never lower express rates to the basis of freight rates without the knowledge and the consent of the freight traffic officers of the railway.

By Hon. Mr. Murdock:

Q. Then you do not believe in a co-ordinated freight and express service?—A. I have never been good enough to find a way of doing it without losing money and efficiency. There is a further question, as to whether the estimated savings are still attainable. You will remember I told you that we had an increase in shipments and weight, and that I believed we would make those same savings to-day.

[Mr. T. E. McDonnell.]

By Mr. Biggar:

Q. You really did not answer a question I asked you earlier on. Have you any reason, because of your subsequent inquiries, to modify the estimate of \$1,450,000 made as of 1930?—A. No reason as to varying it, other than that one item I spoke about, dependent upon the continuance or discontinuance of passenger train miles.

By Hon. Mr. Hugessen:

Q. There is just one point you have not touched upon. That is the item of difference between the proposed estimate of savings under co-operation, \$900,000, and the proposed estimate of savings under unification, \$1,450,000. If you could give us very generally some indication of where additional savings under unification would be made, it would be interesting.—A. That is under a proposition of unifying the two railways as well as the express services? We have to bear in mind that the traffic, to meet economical and quick movement, will move, or some of it will move, partly on one line and partly on the other. If the railways are kept separate, we must in the express companies keep up accounting to segregate and proportion the various figures. If that were not necessary, because of the railways having been brought together, the saving in accounting would be around \$85,000 a year, for that item. As I understand it, you are trying to get at the difference between the \$1,000,000 and the \$1,540,000 estimate?

Q. Yes.—A. You will recall that there are forty agencies for which we had figures. When the Joint Committee got after these forty agencies, they were able to raise the saving by having further and more detailed information, by \$100,000 a year.

Q. That is the difference between \$900,000 and \$1,000,000?—A. That is part of it. Then there were other agencies than the forty, which the first estimate had not reached, which made a saving of \$164,000 a year. There is the saving—referred to it as \$135,000—due to the elimination of train miles. That figure was \$137,000 odd. There was an estimate made of the overseas business. We estimated that by adding 50 per cent to our overseas expenses we could take care of that portion which was transacted by the Canadian National Express, which was a small proportion of the whole, and that represented a \$45,000 saving additional. All of those items I have mentioned total up to \$538,000 odd. And then we found that in estimating what would happen, in connection with an express traffic association which is supported by all of the express companies in Canada, that to be conservative we should take \$12,000 a year off that estimate of saving. That would bring it down to the difference, that is \$526,000, that is the difference between the \$900,000 odd and the \$1,450,000.

By Hon. Mr. Buchanan:

Q. You have mentioned the systems you introduced in Manitoba and Saskatchewan to meet truck competition. Have you found it effective in meeting truck competition?—A. I think that is where we have this increase in shipments and weight, though we have a decrease in revenue. We find it highly successful in order to meet truck competition.

Q. Why is it not adopted more generally in order to meet that competition in other parts of the country?—A. In those two provinces there is at least an attempt to regulate and control highway operators' rates.

By Hon. Mr. Haig:

Q. By the Governments?—A. By the Provincial Governments. I said there was an attempt. There is no such attempt in Ontario and Quebec yet.

By Hon. Mr. Buchanan:

Q. In the province of Alberta you have not introduced it. Is that because there is not that control there?—A. You may recall, Senator, that they had a bill in there for a time, and they discontinued operating under it and they ceased to control highway rates. There is one other item of competition which has not been mentioned, and that is the last attempt of the Post Office Department of Canada to divert express packages to parcel post. The change was made in December of last year, just before Christmas, whereby they increased the weight limit from 15 to 25 pounds. In order to prevent moving express packages out of the express car and into the mail car without changing the payment to the railway, we had to reduce our rates to meet that competition and that is costing us, roughly estimated to-day, \$1,000 a day in revenue, and the Canadian National at least as much more. So that in as far as the Canadian National is concerned, you have two departments of the railway each cutting rates to take business away from the other.

By Hon. Mr. Robinson:

Q. I take it, Mr. McDonnell, you are in favour of unification?—A. Definitely and positively.

Mr. BIGGAR: Perhaps this would be a convenient time and place to recall to the Committee the ground upon which the then Minister of Railways withdrew in 1934, the bills by which it was proposed to authorize the railways to consolidate their telegraph and express services. On June 25, 1934, in withdrawing the bills, Hon. Dr. Manion said:—

Regarding these two bills, the government was asked by the two railway companies to introduce them, as they regarded it as essential that enabling legislation should be made available to expedite whatever measures for unified operation the two companies might decide jointly to adopt with respect to the two subsidiary services referred to. However, latest information intimates that no agreement has as yet been reached or is in prospect of being reached at an early date, if at all. Therefore the matter cannot be said to be one of immediate urgency. For this reason the government does not intend to proceed with these bills.

Q. Perhaps you can tell us, Mr. McDonnell, if there is anything more to be said on the difficulty of reaching an agreement, as the situation stood on the 25th of June, 1934, the difficulty to which Mr. Manion alludes?—A. Are you speaking of the legislation on the bills?—

Q. Yes.—A. As it is related to the agreement of the Joint Committee?

Q. The agreement of the railways.—A. Well, the agreement of the railways, as I understand it, is dependent upon a report from this enlarged Joint Committee. And, as Chairman of the Canadian Pacific members of that enlarged committee, I am waiting for promised advice from the Chairman of the Canadian National members as to when he will be ready to proceed with the Joint Committee work.

Hon. Mr. ROBINSON: I wonder if he is waiting for you.

Hon. Mr. DANDURAND: Perhaps the representative of the Canadian National is waiting for Dr. Manion.

R. A. PYNE appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Pyne, you are the Superintendent of Motor Power and Car Department of the eastern lines of the Canadian Pacific Railway?—A. No sir. I am Superintendent of Motor Power and Car Department of western lines.

Q. You have been there for how long?—A. 23 years.

[Mr. R. A. Pyne.]

Q. And your evidence will be directed to the figures in Exhibit E to Exhibit which is found at page 420 of the proceedings?—A. No sir, that is not the evidence that I intend to give.

Q. It is the evidence I was told you were going to give.—A. No, I am not going to give any evidence on figures. I am a mechanic, not an accountant.

Q. Then it is related to the physical changes which underlie those figures?—A. Yes, that is better. I understand it better that way.

Q. What is the position with regard to the physical changes on which savings can be based under that schedule?—A. Mr. Biggar, I entered the service of the Canadian Pacific Railway—you did not ask this question—on the 3rd of September, 1886. The railway was not very old at that time, neither was I. I would like, the committee and the Chairman and yourself agree, to follow the procedure followed by the late witness, or the former witness, I should say. I want to tell my story in my own way. I make this request primarily in the interest of time. There was some discussion here yesterday by the Committee that it was desirable at this inquiry be speeded up, due to the fact that they have a lot of other things in the fire; and I feel that in telling my story in my own way it will be in the interest of time. I probably have a selfish motive, because I with others come from the West, and we are going to have a big crop in the West this year.

By Hon. Mr. Haig:

Q. What makes you think that?—A. Well, Senator Haig—

Hon. Mr. BLACK: Go on with the evidence.

The WITNESS: No, I want to answer that question, because it is pertinent to the evidence. We had a poor crop last year, but the indications are this year that because of the advantage that was taken by those who would be harvesting the crop last year to prepare the acreage—it is an immense acreage—it has not been prepared, and besides it has received the benefit of a snowfall this year, equal of which we have not had for the last ten years. Then, we have had an abundance of moisture up to the present. The farm experts advise us that the gopher is already working diligently on increasing his storage capacities. And then, there is another vital reason. You may not wish to hear it. Do you want to hear it, Senator Haig?

The CHAIRMAN (Hon. Mr. Beaubien): Provided it is not too long.

The WITNESS: Well, there is an election going on out there. And that is generally a harbinger of good crops in that country.

By the Chairman (Hon. Mr. Beaubien):

Q. Go ahead with your own story.—A. Now, I am not competent or qualified to give any evidence on the figures that have been compiled representing a possible saving of \$14,360,000 in the maintenance of equipment possible, due to unification. I am not a money-saver. In the department I am accused of being a money-spender. I am frequently accused of spending money that the other fellow saves. But I will endeavour in my own way to show you what can be saved in the maintenance of the equipment in our present industrial plants. The basis of my remarks will coincide with the basis of the figures for the year 1930.

By Hon. Mr. Dandurand:

Q. Of the figures that appear where?—A. I am taking the same base for making my explanation as has been taken in following the figures showing the savings.

By Mr. Biggar:

Q. You mean the items in the first column?—A. No. I am taking the performance of shop outputs.

Q. You are referring to the items concerning shop machinery, and on, which are in the first column of the last schedule on page 423 of the proceedings?—A. Yes. In the year 1930 with the Canadian Pacific facilities succeeded in performing an output of locomotive heavy repairs amounting 783 engines. During the same period we repaired 40,309 freight cars, and put through the shops 1,784 passenger cars. That equipment received general repairs.

By Hon. Mr. Robinson:

Q. Do you refer to the western shops only?—A. I am referring to the system of the Canadian Pacific in those figures. There has been no change in the facilities that obtained at that time that were used in producing the results from that time until the present. In other words, those results were obtained from nine of the eighteen shops that are in the record which you refer to, Mr. Biggar.

By Mr. Biggar:

Q. At page 420?—A. Yes. Those shops produced that record as far as the Canadian Pacific performance was concerned. There are eighteen shops designated in the record, nine of which are Canadian Pacific shops and nine Canadian National. These shops, referred to as repair points, embrace what is designated in our maintenance repair practice as main repair shops.

For the information of the committee, it would be as well for me to classify these shops, because they would need some classification in this respect. We have certain heavy repair points on the Canadian Pacific, and likewise the Canadian National, where repairs are made to locomotives and freight cars. There are other points where repairs are made exclusively to locomotives and there are other points where repairs are made exclusively to freight cars. Then we have other shops where all three operations are performed, that is, repairs to locomotives, freight cars and passenger equipment. It is necessary to have that classification in mind, I would think, if consideration is to be given to the consolidation of repairs at one or other of these shops and what would be expected to follow if the railway management were unified.

Now, to indicate what would be the demand based on the requirements for 1930 for both railways, the Canadian Pacific figures that I quote will of course still remain as a base, but I have assumed, and my assumption is made because of information that I have received verbally, not authentic from a report that has been submitted to me—

By Mr. Biggar:

Q. You mean authentic, but not official.—A. It would be formed because of our knowledge of the repairs that will develop normally on these classes of equipment in the period of a year similar to 1930. So that in my figure the total number of locomotives, freight cars and passenger cars that we would be called upon on the basis of 1930 activities with all railroads combined it would mean our shops would be called upon to handle and repair 1,300 locomotives, 68,872 freight cars and 2,981 passenger cars.

Q. That would be under unification?—A. That would be the demand for these eighteen shops, or what portion of these eighteen shops in which it would be possible to make the repairs and bring about a substantial reduction which would follow. There would be some shops here that we would not require in the consolidation of these repairs.

Q. You did not make it very clear, and I was only intervening on that account. This is in the case of unification?—A. Only, yes. In 1930 our average performance on the Canadian Pacific per month and per day—this is the average output of our shops with the facilities we have,—was 65.20 locomotives

[Mr. R. A. Pyne.]

ves per month, or an average of 3.26 per day; freight cars were turned out on an average per month of 33.59, and per day of 1.68. The passenger cars represented an output of 254.85 per month, and 12.6 per day.

The reason I quote these figures, Mr. Biggar, is to confirm the belief that I have at least as a practical shopman, that there is a possibility of maintaining the equipment of both railways under unified management with a very substantial reduction in the number of shops that will be required to perform that work.

Now, as to the effect of unification on the shopping of the equipment, we have definite ordinary regulations that are followed in the shopping of a locomotive. The regulations do not apply uniformly over the whole of Canada because of physical characteristics and other incidentals. Locomotives are shopped on a mileage basis, and this mileage basis is set on the wear of the driving tire. The conditions that obtain in Eastern Canada could be uniformly applied, accepting that as a determining factor, in shopping locomotives. But not so on western lines because of adverse operating conditions, mainly the physical characteristics in mountain and semi-mountain territory, and the bad water section on the prairies. In that territory our determined factors are similar to the eastern section with respect to the tire wear, but we also have no shop power on western lines due to tube renewals and boiler repair developments, caused by the bad water conditions that we have to operate under. One of the advantages, as I see it, in the unification of railway management applying to the shopping of power would be the wider field that would open to us in the distribution of power as we follow now on western lines, where in sections a rapid development of boiler repairs occur, by a transfer to sections where the water conditions are more favourable, the possibilities of obtaining the maximum mileage between general shoppings would increase. As a matter of fact it would appear to me that we would be able to increase those maximums.

The other factors that would enable us to consolidate in some of our shops the repairs to locomotives, and to take care of the output that I have just referred to or given the figures of, would be the advantages that will accrue in using our most modern facilities. I am speaking generally for all the railways. It is true that our shops are not the most modern; I suppose the youngest would be 25 years of age, except for the Canadian National modern shop in Point St. Charles, which is equipped, designed, laid out and machine-cooled in such a manner that it is the best facility we have in Canada. In fact, I would say it has no peer on the continent. With a combination of facilities of that character, and the possibilities of introducing and using to full advantage the efficiency that will come from improved plants, we will increase our output, and that increase in output will be reflected in the figures which will be given and explained by a witness who will follow me.

There is another feature in connection with this situation. It may occur to some of the members of the committee to ask what would be the situation based on present facilities which would be consolidated, and on the basis of the performance of 1930. I am anticipating this question. In the event of an increase in mileage, and by that I mean an increase in mileage performance or in the volume of business, that would naturally increase our shopping demand. I cannot make this statement with respect to the Canadian National facilities, but with respect to the Canadian Pacific facilities I can, namely, that at no time have the Canadian Pacific main shop facilities ever been taxed and used to their full capacity. That was most apparent during the record year of 1928, when we were called upon to meet our maximum demand, and when we were at no time in any way embarrassed because of the absence of facilities, but met the demand within our capacities. I think it is safe for me to assume, knowing that the same success in operation followed on the

competitive road, that they were in the same fix, but to exactly what extent I am not able to say.

That brings me to another phase of the maintenance of equipment on a railroad, which is entirely separate from what I have been describing. I refer to the performance of running repairs. In my remarks I gave you a definite idea of our Canadian practice in the shopping of power. There is no definite factor that I can refer to in the shopping of car equipment, that is from the mileage basis. Cars are shopped on condition, and on appearance; and, because of their use, the services that they may get into, it is possible for a car to accumulate a considerable mileage between one general repair and another, and, vice versa, on the service they have to perform, the locality, and the condition they have to operate under.

As to running repairs, probably it would be just as well if for the information of the committee I were to give a brief historical résumé of condition as we have them to-day, and why we have them. It will probably be of value in determining your action in the matter of the report that you decide to make. On the C.P.R. we have some 64 what we call divisional points. These divisional points consist of a roundhouse, repair track and other running repair facilities and are spread all over Canada from the east to the west. Sixty-four seems to be a large number, and it is a large number, but to serve the purposes of the railways as they are organized and operated to-day, they are required. We find that in the conception of those who were responsible for the organization and the operating methods of the railways when they were constructed, and during the period of construction, a certain fixed base of divisional operations was considered necessary to satisfactorily operate the railroad in every direction. That applied to mechanical and maintenance features as well as to every other phase. It was considered that 100 miles or 120 miles was as short as a division should be, with a range of from 100 to 200 miles. That is the reason we have on the railway to-day divisional points 100 miles apart in some instances, 135 or 150 in others and up as high as 200 miles apart. In the construction of the three lines those facilities have been provided, and in the mechanical department we find ourselves in relatively the same position as the other activities, where there is a duplication of facilities. In other words, we find at points that we have three shops and three sets of facilities, all working in the interests of the roads on which they are situated, where one would do. That would be a feature of unification, under which one, because of geographical location or because of the facilities available, could and would be selected to take care of the needs of the territory.

I may make the same statement in relation to our main shop set-up. We find in some territories we have two shops in the same community, three in some and the same argument and reasoning can be applied with respect to consolidating them in such a way as to best suit the demands of that territory.

By Hon Mr. Hugessen:

Q. Are you going to let us have a statement of the divisional points that you think should be abandoned?—A. I could not give you that. If it is decided to unify the railways, you certainly should have it. A basis would have to be made.

By Hon. Mr. Buchanan:

Q. How many of the shops with which you are better acquainted in Western Canada could be abandoned?—A. I could not say as to that.

Q. I thought you could speak of shops better than you could of divisional points.—A. I could speak of both, but your question, senator, is one that would have to be developed as a result of your decision. I would not be in a position to give that decision.

[Mr. R. A. Pyne.]

By Hon. Mr. Black:

Q. Would it be fair to say that if any amalgamation is considered the absorption of shops would have to be left until after a decision was reached?—
A. That would naturally follow.

By Mr. Biggar:

Q. I am not very clear as to how the suggestions for increasing the maximum mileages of locomotives between their return to the shops and the more convenient use of plant relate to any figures. What kind of assumptions do you furnish to the people who are doing the figuring for the purpose of enabling them to make their calculations?—A. That reference, Mr. Biggar, is a reference to the possibilities that would come out of unification. As I explained in my remarks, the field that would be open for the flexible distribution of power that had advanced in this service and accumulated a certain mileage in certain territories where, for instance, it would require attention because of water conditions, would be broadened by unification.

Q. But what is the relation between that and the number of overhauls you are calculating on?—A. It would have this relation, that where you now would shop an engine because of that condition at 60,000 or 70,000 miles, you would be able to get another 50,000 or 60,000 miles in another territory.

Q. You say that to operate the combined systems you would need so many overhauls of locomotives?—A. Yes, sir.

Q. And nowadays, with separate operation you need so many overhauls of locomotives; and there is some sort of difference between those figures as to the number of overhauls. What is that number?—A. That number will be explained by the financial expert.

Q. You will have to tell us.—A. I cannot tell you in money.

Q. The persons making the calculations cannot tell us how many less overhauls there will be under unification?—A. No.

Q. Then, where will we get it?—A. That is a development that we know will follow. That will depend entirely on the demand. I cannot give the figures. That depends on the number of engines in service, and that is governed by traffic volume.

Q. What about car overhauls? What have those prospective savings, in general terms, to do with figures of that kind?—A. If we are turning out—this is just an example—ten cars out of shop that has a capacity for twenty, with all the overhead, supervision, superintendence and shop expenses—and that I mean by shop expenses is power bills, water bills, light bills, and so forth—and we use those same facilities and have the capacity to make twenty engines or twenty cars, there will certainly be a relative saving in the amount of money that is spent, and relatively an increase in output.

Q. I quite agree with you that there will be a saving. But how are you going to reduce that saving into terms of figures?—A. You will have to ask Mr. Newman that question, and he will answer it for you.

Q. But he must surely depend on information that he gets from you with regard to capacity of shops and number of overhauls that will be necessary, and the reduced amount of running repairs that will be necessary. Those are all physical things.—A. He would not get that information from me. He has that information.

Q. Where does it come from?—A. He gets that in the reports sent in of the work that is performed. He is the headquarters man, who gets reports of the work that we do, and the reports of the work that is done on eastern lines.

Q. There is a real difficulty to me—

Hon. Mr. HAIG: Mr. Chairman, may I ask a question?

Q. In 1930, say, your head office man knew, with regard to the Winnipeg shop for the West, that they repaired so many engines?—A. Yes.

Q. And that they repaired so many freight cars and so many passenger cars, and that the capacity of that shop was so much more than that?—A. Yes.

Q. Your head office man knows how much more the capacity is?—A. Yes.

Q. And how much the overhead cost is?—A. Yes.

Q. The only item he would have to find out is the amount per engine for the labour on the additional engines to be repaired in that shop. And you could tell him how many engines would be used to handle the business of 1930. And if you had to handle the Canadian National business on the assumption of how much business they had—and you have those figures—then you could tell how many more engines and cars and passenger cars would have to be repaired in the western shops?—A. Yes.

Hon. Mr. BLACK: Mr. Chairman, this witness says that an official who would be following him as a witness will be able to give these figures. I do not see why we cannot get them from the proper official.

Mr. BIGGAR: I imagine that Mr. Pyne has been brought here to tell us something more than that economies can be made by unification. His knowledge has relation to figures in some way but I have not been able to detect what that is.

Hon Mr. McRAE: I think Mr. Pyne's evidence is very useful in showing the practical end. That is why he is here, I suppose; he is not talking about monetary savings. His evidence is very clear and informative, I think. As Senator Black has pointed out, a witness who is to follow Mr. Pyne will answer questions about money savings. Why prolong the inquiry?

Mr. BIGGAR: I do not want to prolong it.

By the Chairman (Hon. Mr. Beaubien):

Q. You have so many engines and cars to be repaired to-day, and you have so many shops, for the two railways?—A. Yes.

Q. You have stated to us very clearly that if there were unification, probably the great majority of those shops could do more work, and therefore the expense would not be very much increased in proportion to the work turned out? Could you tell us, having regard to 1930 traffic conditions, how many shops could be dispensed with by both railways? Is that your function to do that?—A. No, but I have been asked that question before. That would be dependent on what would follow in the investigation, should it be decided to unify the railways. As I have told you, that was my reason for giving you the classification of those shops, that is the shop that does all the three operations, the shop that does two and the shop that does only one.

Q. Anyway, you are not the qualified officer to answer that question?—A. No, you want to put it that way, no.

By Hon. Mr. Dandurand:

Q. Would you allow me to put this question to you? You know that you Canadian Pacific shops are not working at full capacity. Have you knowledge also as to the Canadian National shops? And do you assume that they are not working at full capacity?—A. That is my assumption. I have already said that, Senator.

By Hon. Mr. Murdock:

Q. I understood you a little while ago to indicate that a locomotive after running 65,000 or 70,000 miles would probably go in for general repairs?—A. Yes.

Q. And I also understood you to intimate that possibly, under unification arrangements could be made to utilize that same engine for a further 50,000 miles. Now, I think it would be helpful if you would explain that point.

[Mr. R. A. Pyne.]

I have tried to explain that, Senator, and I will try to explain it again. I think I can talk shop to you. There may be some other members of the committee who understand shop language.

The CHAIRMAN (Hon. Mr. Beaubien): We shall try to rise to the level.

The WITNESS: Well, it is some accomplishment, I will have to admit.

Hon. Mr. DANDURAND: We are at school, you know.

The WITNESS: Senator Murdock, normally we work in averages, and our average mileage between general repairs based on tire wear on passenger engines is 125,000 miles between general repairs. The method of determining shopping the modern freight engine is 80,000 miles. Those are averages. We have engines that sometimes will go over 150,000, and sometimes as high as 200,000, but those are averages. Now, an engine operating in conditions such as the physical conditions we have on eastern lines—you will be familiar with this situation—outside of emergency, and these emergencies are sometimes created from material deterioration or defect, but normally the tire wear shops the engines on eastern lines; and when the tire wear is developed to the point where the engine has to be shipped, the engine is probably well run down. You will have some knowledge of that, too. Now, on some sections of the railways in Canada, we have unusual physical characteristics. I mentioned the mountain and semi-mountain territories. In those territories, because of the extra heavy duty performed by those engines in service—and they are loaded down to their capacity—the tire wear develops somewhat more rapidly. You will understand that. There are other sections that are similar in every respect, as far as the tire wear is concerned, to those on eastern lines, but there is a water condition that builds up a condition in the boiler that makes it necessary, for economical and safe operation, to renew the tubes. In a territory where that obtains, when the conditions are apparent that we are likely to have trouble with those tubes because an interruption to service on the road—you have been around when engines have failed; you know what I am talking about—that engine can be transferred. It has still around another 50,000 or 40,000 miles, possibly in tires, and that engine can be transferred to a good water district, and the full capacity maximum of mileage be obtained. Is that clear?

Q. Under unification it could be transferred more easily?—A. Yes, that is the point. The field for that class of operation is widened.

The CHAIRMAN (Right Hon. Mr. Graham): It is a good assistant you have here, Mr. Pyne.

The WITNESS: Yes. He and I have not always agreed, but we have this in common.

By Hon. Mr. Buchanan:

Q. I should like to follow up the question about the shops. You spoke about shops not working to capacity, but only to partial capacity, and told us that we could increase the capacity and could handle much more. Speaking of the unification, with which I am familiar, as you are, have you not some idea of whether unification would mean the disappearance of certain of the shops that are there now? Have you any fixed idea?—A. Yes sir, undoubtedly.

Q. How many shops do you think would disappear under unification?—A. In the West?

Q. Yes. I am speaking about major shops.—A. I know what you are talking about. We have got six major shops on western lines.

Q. I thought you only had five: Fort Rouge, Transcona, Edmonton, Calgary and Winnipeg?—A. Vancouver is not included?

Q. I was not including Vancouver, no.

By Hon. Mr. Murdock:

Q. Why do you not say approximately one-half, and let it go at that?—
A. That is right. I could say definitely that they could be reduced to three definitely.

The CHAIRMAN (Hon. Mr. Beaubien): That is a good answer to my question.

The WITNESS: That is main shops, sir. I could not give you a definite answer with respect to local services.

By Hon. Mr. Copp:

Q. Would you like to suggest which shops could be dispensed with?—
A. Oh, no. I am like Mr. McDonnell. There is a political atmosphere that might make it impossible for me to go home, if I made a suggestion of that kind.

By Hon. Mr. Buchanan:

Q. Would those three handle the increased traffic of two or three bumper crops, when the traffic is greater and the demand for repairs is greater?—
A. Senator Buchanan, I will go right to your back door.

Q. All right.—A. You will understand this shop talk. We have a main shop at Ogden—you are talking about capacity. We have reached a capacity in the shop of twenty-five engines a month. I am speaking of locomotives now, and that will simplify matters and not confuse the issue. We are getting out twelve. There is a lot of valuable space there which could be used under unification isn't there?

The CHAIRMAN (Hon. Mr. Beaubien): Any more questions, gentlemen, that you want to ask this witness?

The WITNESS: There is one feature in connection with this unification which I should like to deal with. If it is a question of adjournment, there is something I still have to say, Mr. Chairman.

By the Chairman (Hon. Mr. Beaubien):

Q. Will it be long?—A. No.

Q. Go ahead and say it.—A. It won't take long. Nobody has suggested—and I am rather surprised—from one section of your committee what effect the consolidation of these shops would have on labour.

Hon. Mr. HAIG: We talked about that the other day. We have a clear understanding of that.

Hon. Mr. BLACK: Still, I should like to hear what he has to say on it.

Hon. Mr. McRAE: From a practical man.

The WITNESS: The statement was made here the other day that in the desire to unify the railways no attention was given to the conservation of human rights. Now, I should like in my own way to explain to the committee just what attention has been given to the human rights of the shop employees. I do not know what the term should have been used, because human rights, to my way of thinking, should not be divorced—as it is by some—from what they call property rights because after all property rights, which seem to be in the discard, are nothing more nor less in my opinion than human rights with a little thrift added.

Now, the railway industry of Canada has taken care of its employees, and it has given due consideration to the human rights feature that was emphasized here the other day. The statement was made that a man with twenty-nine years' seniority was going to be thrown out on the street. The presentation of this case made by the President of the Canadian Pacific carried with it, in my opinion, a guarantee that, from the standpoint of compensation, any man that would be affected would be taken care of, would be compensated. He qualified

[Mr. R. A. Pyne.]

at further by saying that any compensation that might follow, both to labour and to the railway managements, could not be expected to take place overnight. This thing cannot be done in a minute or in a day.

Speaking directly of the shop-crafts, there will be a displacement of labour, and there will be some inconvenience caused to some of the employees. This inconvenience may be of a temporary character, and in some instances it may be of a permanent character. It may be of a temporary character, in my opinion, to the extent that in course of time inconvenience will be adjusted. It may be permanent, in my opinion, that is, probably it may be never adjusted, for the reason that it may mean the disestablishment of a man's home at one point and its re-establishment at another point. Whatever inconvenience that man is put to in the process of this transition may be, or may not be, permanent in its character so far as that individual is concerned.

To-day you will find standing on our shop tracks on the Canadian Pacific 75 locomotives that have been repaired and are not being used. The money spent on those locomotives did not need to have been spent. It has the effect to some extent of mortgaging the future so far as work is concerned; but the regard of the railway industry for its employees has in its judgment caused it to provide that amount of work for the men in its service that otherwise it could have provided with.

Now, as far as labour is concerned—and I speak now of the organized element—as far as shop-crafts are concerned, I want you to pay particular attention to what I have to say in this regard, because I am informed it is the intention to send a committee here to place the case of the shop-crafts—labour—before this committee, and there will be of course reference made to some thing that I have said—and there will be a very emphatic reference to a lot of things I have not said that I probably in their opinion should say.

Our working agreement with the shop-crafts provides that we not guarantee a forty-hour week or a two hundred and forty working-day year. We do not guarantee that, but we undertake to maintain that in the ratio of our ability to pay and to provide work. So if we find in maintaining the forty-hour work week with our staff, in order to do that and work within the repair demand and budget allotments, we have to reduce the staff, that staff is reduced at the instigation of the men themselves. You have that condition right now almost going into effect in the Canadian National system, and that is something that the men are responsible for. So that in the atmosphere that will be created by the displacement of labour, as far as the shop-crafts are concerned, we shall be working entirely in line with their idea of things.

I have had the misfortune—I was going to say good fortune—to represent the railway interests on this wage sub-committee of the former Railway Board and the present Canadian Railway Association. There has been an insistent demand from the shop-crafts to establish a minimum work week of forty hours, no matter what that entailed in displacement of labour. Their argument in support of that was that the senior man was entitled, in order to maintain his standard of living, to the forty-hour week employment. The union man would have to be sacrificed in order to bring that about. The railway companies, in their desire to work out the principle of human rights referred to by Senator Curdock, have worked on the principle of dividing the loaf—instead of reducing the staff we reduced the hours. The men's argument against that—putting it to you concisely and briefly so you can understand it—is that two men will do as much work in four days as four men will do in two days. That is the situation that developed.

With the unification of railways shop labour will be the beneficiaries with respect to the desire to balance the industry; for undoubtedly the industry has been unbalanced or we would not have had to ask the men to work reduced hours.

So from that angle, as far as this committee is concerned, while you will be imposing some inconvenience on employees, that will be compensated and will be absorbed in the course of time, as was worked out in the problem considered by Mr. McDonnell, who spoke before me. There is no particular trouble that is going to apply to the shopmen in line with their own ideas of the working agreement, by the unification of railways or consolidation of the shop-crafts.

Have I made that clear, Mr. Biggar?

Mr. BIGGAR: Yes.

The CHAIRMAN (Hon. Mr. Beaubien): Any more questions?

Several Hon. MEMBERS: No.

Hon. Mr. BLACK: I move that the committee adjourn until Tuesday morning.

The committee adjourned until Tuesday, May 31, at 10.30 a.m.

1938

THE SENATE OF CANADA



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 16

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Mr. E. A. Leslie, Comptroller, C.P.Ry. Co.
Mr. R. G. McNeillie, Passenger Traffic Manager, C.P.Ry. Co.
Mr. E. G. O'Brien, Freight Transportation Assistant, C.P.Ry. Co.
Mr. H. J. Humphrey, Vice President and General Manager, Eastern Lines, C.P.Ry. Co.
Mr. J. E. Armstrong, Assistant Chief Engineer, C.P.Ry. Co.
Mr. W. A. Newman, Chief Mechanical Engineer, C.P.Ry. Co.

EXHIBITS

- No. 45. Line abandonments. Details of various programs. (Filed May 17, 1938).
No. 53. Population, railway mileage, and freight, tonnage by Provinces.
No. 54. Statement *re* gross operating revenues and expenses, fixed charges, dividends, cash deficits, etc. C.N.-C.P.Rys. 1927-1936.
No. 55. Estimate of cash invested in transportation in Canada.
No. 56. Present status of proposals for line abandonment.
No. 57. Estimate by C.P.Ry. of savings in car and train miles by re-routing of freight traffic. (Not printed.)
No. 58. Detailed development of railway operating expenses, Maintenance of Way and Structures—based on year 1930. (Supplementing statement appearing at top page 423.)
No. 59. Detailed development of railway operating expenses—Maintenance of equipment—based on year 1930. (Supplementing statement appearing on page 423.)

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1938

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, May 31, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Colonel O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Hon. Mr. Beaubien): Order, please, gentlemen. Now, Colonel Biggar.

Mr. BIGGAR: Mr. Chairman, I have two or three sets of figures here that I think it would probably be more useful to discuss after they have been presented. Some of them were asked for by members of the committee, and others figures which I have obtained that I think would be useful.

The first figures are in answer to Senator Calder's request at page 360 of the Proceedings, showing the population, railway mileage and freight tonnage by provinces, not by zones, as Senator Calder asked for them, and the statement gives as full information as the Bureau of Statistics has. If the committee approves, the documents relating to that would be Exhibit No. 53. This is a comparison of population, railway mileage, freight tonnage, and so on, by provinces. That exhibit would consist of a letter written by Mr. G. S. Wrong, Chief of the Transportation and Public Utilities Branch of the Bureau of Statistics, to me, under date of May 28, and of a schedule giving all the figures, and some additional figures by way of appendix, on water-borne traffic only.

The next is a statement which Senator Calder asked me to obtain during the recess of the committee. It is not so far referred to in the proceedings. It is a statement with regard to the operating expenses, revenues, fixed charges, dividends, cash deficits, and so on, of each of the railways for a period of ten years ending in 1936.

Hon. Mr. GORDON: Not dividends for both the railways.

Mr. BIGGAR: For only one of the railways. I should have made that plain applicable to only one of the railways. This covers the years from 1927 to 1936 inclusive. It will be Exhibit No. 54.

Then I have asked Mr. Franklin, the railway auditor in the Department of Transport, to make the best possible estimate that might be made with regard to the money that has gone into railways, waterways and highways in Canada. This will be Exhibit No. 55.

Hon. Mr. BLACK: Would you restate that?

Mr. BIGGAR: It is an estimate, so far as it can be obtained, of the comparative amounts of money that have gone into railways, waterways and highways. Frankly, it is very largely based on almost conjecture, but the basis is stated, and I think it would be useful for the committee to have it before them.

Hon. Mr. MURDOCK: The items are separated?

Mr. BIGGAR: Yes.

The next document I have in my hand is one about which I have some doubt, and perhaps the committee will express an opinion with regard to it. It is an elaborate statement of the present situation under seven heads, of the 2,098 miles of proposals for abandonment that were common to the Canadian National and the Canadian Pacific proposals made to the Duff Commission. It shows each of them and how many miles have been actually abandoned, and in process of being abandoned, are in abeyance, are under study, and have been rejected, and so on. It is quite an elaborate statement which has been prepared by Mr. Fairweather, and the committee may find it useful. I do not think it will be of any value unless it is printed. Would the committee like to have it printed?

Hon. Mr. BLACK: Are we not in the process of getting that in the evidence?

Mr. BIGGAR: You will not get it in any such concise and comprehensive form.

Hon. Mr. McRAE: I think it would be very valuable. It is basic, too.

Mr. BIGGAR: Then, it will be Exhibit No. 56.

Then, the committee left it to me to look at Exhibit 45, which has not been directed to be printed. By examining it I have come to the conclusion that it perhaps might be useful to have it printed. It is a comparison of the abandonment programs—the C.P.R.'s original one for 5,051 miles, the Canadian National original one for 2,434 miles; a separate scheme showing which of these were common to both programs; then a Canadian National co-operative program submitted to the Duff Commission, 2,261 miles; Canadian National thin traffic program amounting to 1,966 miles, and finally a column containing the particulars of proposals made by Mr. Fairweather here, covering 1,129 miles. It would be very difficult to print that just as it is, but with very minor changes it can be printed on three or four pages of ordinary size, and I think perhaps the committee would like to have it. It gives the information in a more convenient form than in any other way.

The CHAIRMAN (Right Hon. Mr. Graham): It would be very useful not only to us, but to any future investigation.

Mr. BIGGAR: You would have the information in summary form.

The CHAIRMAN (Hon. Mr. Beaubien): It represents part of the evidence you have in the proceedings.

Mr. BIGGAR: But by no means all. It would be Exhibit No. 57.

Hon. Mr. COTE: The abandonments are such a small part of the economic situation that we seem to have wasted a lot of time on them.

Mr. BIGGAR: Attention has been concentrated on them. That is our excuse at all events.

Hon. Mr. DANDURAND: But there are savings, and we do not know yet what is covered.

Mr. BIGGAR: With these documents printed, they can be discussed more readily by the committee.

Hon. Mr. COTE: The abandonment is the bugbear of Senator Dandurand.

Hon. Mr. DANDURAND: It was the primary argument of Sir Edward Beatty.

Hon. Mr. McRAE: It is the bugbear of the railways.

Mr. BIGGAR: I have been in communication with the proposed witnesses along the lines we have been discussing, in support of the estimates, and it is suggested that the witnesses on particular subjects would be more easily followed if Mr. Leslie gave an indication of how their evidence was to be directed. If the committee approves, we will take Mr. Leslie's communication now as to how the other witnesses will deal with the subject.

E. A. LESLIE was called as a witness, and took the stand.

By Mr. Biggar:

Q. Will you tell the committee what your position is in the Canadian Pacific, and how you come to deal with this particular subject?—A. I am comptroller of the Canadian Pacific.

Q. And you have been so——A. Three years.

Q. And before that?—A. I first worked for the Canadian Pacific back in 1913, and after a period at college and overseas, I joined the service permanently in 1919, and have been continuously employed in either the operating or the accounting departments since that time.

Q. And in 1931 and 1932 what position did you hold?—A. I was assistant comptroller.

Q. Now, I think you have a memorandum before you indicating the way in which the estimate, Exhibit No. 49, is to be dealt with by witnesses who will follow?—A. That is right, sir.

Q. And you refer to Exhibit 49 at page 416 of the proceedings, do you not?—A. I think if everybody would turn to page 416 it would be easier to follow what I have to say.

Q. Yes?—A. In order to assist the committee in understanding the method followed by the Canadian Pacific in presenting this evidence in support of the estimated savings of \$75,373,000 from unified management of the railways, it has been thought desirable to point out briefly the evidence already presented concerning the details of the estimate, and that of the witnesses who are still to appear before you. The summary of the estimated savings is to be found on page 416 of the record. It will be noted that in the left-hand column of this statement there is an outline of the assumptions made and of the principal physical changes which would be involved. These were as follows—I proposed to read the first column:—

While the time required to complete unification will be five years, large savings will be immediately effected.

All calculations are based on the year 1930, the last year for which complete figures are available. The tables assume that unification was then complete.

Unification will include:—

Abandoning 5,051 miles of track	Exhibit "A"
Saving 7,574,545 passenger train miles. Saving 51,793,173 passenger car miles	Exhibit "B"
Saving 5,301,323 freight and mixed train miles. Saving 67,157,402 freight car miles	Exhibit "C"
Consolidating stations, yards and terminals	Exhibit "D"
Consolidating locomotive and car shops	Exhibit "E"
Consolidating supervisory organizations	Exhibit "F"

These Exhibits, "A" to "F," appear on pages 417 to 421, inclusive, and further details as to Exhibit "A" are to be found on pages 427 to 432, inclusive.

In the right-hand column, on page 416, is a summary of the net gain in dollars aggregating \$75,373,000 usually described as the savings from unified management. Items 1, 2, 5 and 6 are supported by Exhibits G, H, I and J, which appear on pages 421 to 426, inclusive. These exhibits, together with items 1, 7, 8 and 9, will be further amplified by the explanation to your committee of each witness of the assumptions made in the calculations and by the submission of the summary sheets of the calculations made in 1932.

The committee charged with the preparation of the estimate assigned the problem of the physical changes, outlined in the left-hand column, to different persons than those who were responsible for the calculations. Correspondingly,

it is now necessary to call separate witnesses to demonstrate these physical changes from those who are to give evidence as to the calculation of the savings shown in the right-hand column. This has been necessary on account of the fact that under the departmental system of the railway the officers best able to deal with the physical side of the study were not, in many cases, the same as those who could best deal with converting these facts into the money calculations. For instance, the passenger traffic manager, who is presenting the evidence with regard to changes in train service, is not directly concerned in the various items of expense entering into the operation of passenger trains. He determines the appropriate train schedules and is responsible for the securing of passenger traffic. The actual operation of these trains is under the control of operating department officers. The same applies in regard to other departments. This portion of the evidence is nearly completed. I refer there to the left-hand side of page 416.

Q. You mean the right-hand side?—A. No, the left-hand side, physical changes.

Mr. Macnabb submitted the evidence as to Exhibit "A." The first witness this morning will be Mr. McNeillie, who is ready to conclude his evidence as to Exhibit "B," page 417, which sets forth the estimated reduction in passenger train miles. He will concern himself with placing before your committee information to establish the duplicate passenger train service which, in his opinion, could be eliminated. Subsequent witnesses will explain to you the financial effect of this change in passenger service.

The second witness will be Mr. E. G. O'Brien, who will conclude his evidence with regard to the reductions in freight train and car miles shown in Exhibit "C" on page 418.

Exhibit "D" on page 419 is merely a list of points at which economies in station, yard and terminal services can be effected. No witness will be present in connection with this exhibit.

Mr. Pyne has already given evidence as to the duplication in main line locomotive and car ships set out in Exhibit "E" on page 420. The third witness still to be heard will be Mr. H. J. Humphrey, Vice-President and General Manager, Eastern Lines, who will deal with Exhibit "F" on page 421 and explain the comparison between the supervisory organization necessary for a unified property as compared with the organization of the two competitive railway systems. This will conclude the evidence on the physical changes set out in the left-hand column and the ground work will have been laid for proceeding with the details which support the figures shown in the right-hand column.

Mr. Jefferson appeared before you the other day with regard to item 1 in the right-hand column and explained the increased operating revenues which would accrue to the unified system as compared with separately operated competitive railways. The details of this item are given in Exhibit "G," page 422. When he appears again in regard to savings in traffic expenses under Exhibit "H," he will deal with the minor items which were left open in his previous evidence.

The main item of the gain—Item 2—is an estimated saving of \$54,268,000 in operating expenses. It is proposed to call five witnesses in connection with this item. A summary of this item shown as Exhibit "H" appears at page 423 and is supported by seven statements appearing on pages 423 to 426.

Q. Just stop for a moment, while we identify these.—A. It will be noticed that the top of Exhibit "H," page 422, is a summary under the usual railway classification of Maintenance of Way and Structures, Maintenance of Equipment, Traffic, Transportation-Rail Line, Transportation-Water Line, General and All Other. Now, there is a separate statement on pages 423 to 426, in which each of these items is split down under further captions.

[Mr. E. A. Leslie.]

Q. You did not say anything about the columns in Exhibit "H," page 422, but perhaps they are clear enough. The net saving is given in the last column, in each case.—A. In the last column, yes.

Mr. John Armstrong, Assistant Chief Engineer, who gave evidence with regard to co-operative economies, will deal with the saving of \$14,888,000 in Maintenance of Way and Structures expense shown on page 423.

Q. That is at the top of page 423?—A. Yes.

Right Hon. Mr. MEIGHEN: The first column of the big item.

Mr. BIGGAR: Yes.

The WITNESS: Mr. W. A. Newman, Chief Mechanical Engineer, will deal with the \$14,360,000 Maintenance of Equipment shown on the same page.

Right Hon. Mr. MEIGHEN: Excuse me, I do not see that.

Mr. BIGGAR: The bottom of page 423. May I just intervene here? The way that is printed is a little misleading. If you will look at page 422 you will find, in small type, in italics, below the schedule, the words "Maintenance of Way and Structures—Based on Year 1930." It is the table at the top of page 423 that belongs to that. The real heading is the small type heading in italics on page 422, and the table ought really to be under that. And it is exactly the same with regard to page 423. Underneath the table you will find in italics the words "Maintenance of Equipment—Based on Year 1930." That is really a heading that carries you down to the next tabular statement. And the next tabular statement, "Traffic Expenses," is preceded by the printing on the bottom of page 423, and so on.

The WITNESS: Then, Mr. C. E. Jefferson, Freight Traffic Manager, will deal with the saving in traffic expenses of \$5,775,000 shown on page 424.

By Mr. Biggar:

Q. That is the first tabular statement on page 424?—A. Yes.

Mr. E. G. O'Brien, Assistant to the General Superintendent of Transportation, will deal with transportation economies—rail \$23,994,000 shown on page 424 and water line \$41,500 shown on page 425. And Mr. S. J. W. Liddy, Assistant to the Comptroller will deal with General Expenses \$4,289,000 shown on page 425 and Other Expenses \$918,000 shown on page 426. This will conclude Exhibit "H" and item 2. If you turn back now to page 416 you will see that we have dealt with items 1 and 2. While Mr. Liddy is on the stand he will also deal with item 3, Miscellaneous Income Items; item 7, Colonization, Development and Insurance; Item 8, Interest on Released Stores and Track Material; and item 9, Interest on reduction in investment in equipment.

Mr. McDonnell, President of the Canadian Pacific Express Company dealt last week with item 6 of the summary covering express economies. The only items not then covered will be item 4—British Columbia Coast Service and Item 5—Telegraphs, which will be dealt with, respectively, by Captain McMurray, Manager, British Columbia Coast Service, and by Mr. D. L. Howard, Assistant to the General Manager, Communications Department.

In dealing with the estimated savings each witness will have summary sheets available for distribution to the committee of the calculations based on 1930. Each will be prepared to indicate, where possible, the variation from the 1930 estimate, either upwards or downwards, which, in his opinion, has resulted from changes in conditions and which might affect the estimate of savings available when traffic returns to normal levels.

Your committee has indicated interest as to the possible effect upon the estimate should no line abandonments take place. Owing to the manner in which the estimate was prepared, it might be confusing to the committee should this feature be dealt with by each witness. It is proposed, therefore, that when

Mr. Liddy is on the stand he will indicate to your committee the amount of the reduction in the estimate which should be made (a) if no line abandonments are included and (b) if line abandonments were made only to the extent of the 2,098 miles common to both Canadian National and Canadian Pacific estimates.

Mr. W. M. Neal, Vice-President, Western lines, who will give evidence with regard to the general operating features, will follow and present a summary of the variation both upwards and downwards in the estimated savings described by the previous witnesses.

By Right Hon. Mr. Meighen:

Q. Mr. Leslie, could you distribute to each member of the committee a copy of the statement from which you have been reading? It would be a key not only to evidence which is to come but to evidence which has been given, by Canadian Pacific officers.

The CHAIRMAN (Hon. Mr. Beaubien): It will all be printed by to-morrow morning.

The WITNESS: I could arrange to have mimeographed copies run off.

R. G. McNEILLIE reappeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. McNeillie, I understand that you wish to complete what you have to say as to Exhibit B, on page 417, estimated reduction in passenger train and car miles? You have a memorandum before you?—A. Yes, but before dealing with that memorandum, may I make a statement to the committee? When I left the stand a few days ago I promised to prepare certain figures dealing with possible savings in passenger train miles, and I have a statement here now, with sufficient copies for members of the committee. On looking over the evidence which I gave last time, I realized there was a certain amount of confusion between the 1930 and the 1938 estimates, and with your permission I would like an opportunity to explain in my own way what those figures really mean, 1930 to 1938.

Q. Right.—A. The estimate made in 1932 gave a figure of 7,574,454 train miles which it was believed could have been saved on the basis of traffic as it was in 1930. Checking over this figure very carefully, I came to the conclusion that it included 1,490,588 train miles which could not have been eliminated without inconvenience to the public in view of the volume of traffic which was moving. On the other hand, I also came to the conclusion that the original estimate had failed to include 565,970 train miles, which could have been saved in 1930, without inconvenience. If you balance this subtraction against this addition, you get a net subtraction of 924,618 miles from the original estimate, bringing it down to 6,649,836 train miles. That deals with the 1930 estimate.

Q. Just before you leave that, Mr. McNeillie. You say the 1,490,000 train miles could not be eliminated without inconvenience to the public, but 565,970 additional could have been saved without such inconvenience?—A. 570,000 miles additional were not taken into the original estimate.

Q. Is it your view that the net figure of 6,649,836 train miles, if there was unified management, could on the basis of the 1930 traffic have been eliminated without inconvenience to the public?—A. That is my opinion.

Q. Right.—A. Since 1930, 2,194,821 train miles have been eliminated owing to reduction in traffic. In addition, 972,000 train miles have been eliminated as a result of train pooling under co-operation. The money saving from the latter elimination was dealt with in the president's statement.

[Mr. R. G. McNeillie.]

Of the first figure of 2,194,821 train miles undoubtedly a large part would have to be restored if traffic returned to the level of 1930, which is regarded as a normal year.

Accordingly, I am of the opinion that my estimate of 6,649,836 train miles is a fair and conservative estimate of train mileage that could be eliminated under the conditions that prevailed in 1930.

By Hon. Mr. Dandurand:

Q. But you would have to deduct trains affected by track abandonment?—A. I will explain that matter, senator.

In addition, I have approached this from a different angle and made a rough estimate of what train mileage could have been eliminated in 1937 by unification. This comes to a little over three and a half million miles exclusive of what already has been saved by pooling under co-operation.

If this much could be eliminated under the conditions of 1937, you will see that a very much larger amount could be saved on the basis of 1930 traffic.

Going back to the figure of 2,194,821 train miles which have been eliminated, it is impossible for anyone to sit down here to-day and say what portion of that would be permanent and what would be of a temporary nature, but we do feel that a large part of that mileage would go back. Our business is developing. It got down to a low point. It increased again last year, and it is increasing this year. We have such developments as skiing in the Laurentians. A few years ago that was a small business; to-day it is a capacity business. We are handling a week-end business there, and we cannot handle any more. Two years ago we had not any idea of what would develop in connection with our Pacific coast and other travel. We found the United States Government paid their legionnaires a bonus. That gave us a tremendous amount of traffic. There are things of that kind coming up which make it impossible for a traffic man to estimate what will develop. Then again, the low fares have developed a tremendous amount of extra passenger business. We do not know a few years from to-day what our fares may be; they may be reduced. Air-conditioned cars, we know positively, have brought a tremendous amount of business back to the railroads that left us. Our big air-conditioned coaches are very, very popular. We know from the bus people themselves how it is affecting their travel. There are developments of that kind going on from year to year. We believe the business is coming back.

Q. Yes. Any more?—A. That is all I have to say on that.

Q. You have dealt with all the sheets now of the memorandum which you have handed to us?—A. On this first sheet of the memorandum, which is headed Reduction in Passenger Train Miles—Revised Estimate," the figures are all given.

By Hon. Mr. Murdock:

Q. On that page 1, Mr. McNeillie, would you define the item Montreal-Windsor 1,175,548, and Montreal-Toronto 180,312 train miles? Why the distinction there?—A. What is that, Senator?

Q. On page 1 of your details of reductions in passenger train miles, revised estimate, you have Montreal-Windsor 1,175,548 train miles and Montreal-Toronto 180,312 train miles. Why two different items?—A. Montreal-Toronto, the original estimate of reductions they had a night train in there, and that one of the trains that went into the over-estimate.

Q. Then that 180,000 miles covers that night train, does it?—A. I will have to check that up. Yes, that is correct.

Does the 1,175,000 miles contemplate the pooling of service from Toronto to Windsor?—A. Yes, under unification.

By Mr. Biggar:

Q. You were going to speak about the next page.—A. That is page 1, the summary, and on page 2—

By Hon. Mr. Haig:

Q. A summary of what?—A. A summary of the revised estimate, making the 7,574,454 passenger train miles.

By Mr. Biggar:

Q. That is the original estimate?—A. It is brought down and revised, you will notice, there. On page 2—

By Hon. Mr. Dandurand:

Q. One moment, please. This is as far as you have broken the figures by sections?—A. Yes.

By Hon. Mr. Haig:

Q. Page 1 is the old estimate as to how the details were made up?—A. That is correct.

By Mr. Biggar:

Q. Now, page No. 2.—A. I have already told you in that memorandum page 2 shows where the over-estimate comes in.

Q. What about the next unnumbered page?—A. On the next page come details of passenger train mile reductions made since 1930.

Q. That includes both pooling and other reductions. What about the next unnumbered page?—A. The next page is estimated reductions possible in duplicate passenger train services on the basis of 1937 traffic. That is 3,508,411 passenger train miles.

Q. And the final page?—A. Is a statement of the trains affected by track abandonments. I have something to say in connection with that. Senator Dandurand asked about it. We had set out the passenger train miles that are affected under track abandonments; but not included in that are mileages, such as from Long Lac to Beaverton, Nakina to Paddington, Regina to Moose Jaw, Kamloops to Vancouver or Woodstock to Walkerville Junction; for the reason that the estimated train mile reduction will not be affected in any way if the tracks are not abandoned.

Q. Whether those tracks remain in existence or not?—A. Yes. In connection with the Beaverton-Long Lac and Nakina-Paddington, while those tracks are not near together, if the track of the Canadian National comes up the train service is transferred over to the Canadian Pacific line.

Q. It is suggested to me that for the purpose of testing this program of individual train services, the originating and terminating points, the times of arrival and departure from terminals, and the routes are needed both for the 1932 and for the 1937 program. What do you say about that?—A. We feel we should not be asked for that detail information. If unification comes in, the problem of what trains are to be taken off or left on will be under the management of the unified organization, and we do not know what the traffic may be at that time. I do not think we should give out at this time details of something that is going to happen a year or two later.

By Hon. Mr. Dandurand:

Q. But you have to reach a total that we can understand by the details.—A. We have the details ourselves.

[Mr. R. G. McNeillie.]

By Hon. Mr. Black:

Q. While you have the details, you have the details only of your own computation?—A. That is correct.

Q. You have not the details of what the C.N.R. grouping may be?—A. No. There has not been any consultation between the C.N.R. and ourselves.

Hon. Mr. DANDURAND: But how can we test that total without having the details?

Hon. Mr. BLACK: I do not believe the details given by one of the railways is of much use, unless we have details given by the C.N.R.

Hon. Mr. DANDURAND: We shall be up in the air when it comes to examining the total if we have not those details.

Hon. Mr. BLACK: We shall be pretty well up in the air in any case, because the roads have not got together even to the point of a tentative agreement as to what terminals they will abandon, and so on.

Hon. Mr. DANDURAND: But the C.P.R. is making its case of savings, and it must make it to the satisfaction of this committee. This committee will be unable to say that the C.P.R. has made its case if it does not give us the details.

By Right Hon. Mr. Meighen:

Q. Are you on the last page, Mr. McNeillie?

By Mr. Biggar:

Q. As a matter of fact, my question related both to the page that is No. 1 and the page that is headed 1937 abandonments. What the witness says is that the calculations with regard to either of those years—I mean the trains that he is basing that on—may not be at all the trains that might be taken off in the event of there being unified judgment some years hence.—A. That is correct.

By Right Hon. Mr. Meighen:

Q. He does give the lines in detail on which he expects to be able to make savings of this train mileage on page 1. Then he gives details as to over-estimates in respect of different lines on page 2, and similarly on page 3, though they are not numbered. Just what detail is it you feel you should not give out?—A. What Senator Dandurand, I understand, is asking for is that we should give details of every train that we have taken into this picture from and to certain points, the exact train, and the train number.

By Hon. Mr. Calder:

Q. From the Atlantic to the Pacific?—A. From the Atlantic to the Pacific. We feel it would very seriously affect us in a competitive way if we gave that information out at the present time.

By Hon. Mr. Hardy:

Q. That is, it might cause resentment on the part of the people affected?—A. That certainly would. I would hate to go into those places and solicit traffic after giving out those figures.

Hon. Mr. CALDER: That will be a tremendous job. After all, this is only an estimate made by the Canadian Pacific Railway for the Duff Commission. If we are satisfied that these men honestly made an estimate, then if we took one or two examples at random, if you like, we can see how they work out from

the standpoint of those who made them. But to go through this estimate from beginning to end, we shall be here until Christmas time, as Senator Meighen said.

Hon. Mr. DANDURAND: I draw attention to this situation. Those totals were based upon a minute examination of what can be done. Treat it as an estimate if you like. The details have been prepared and are in the possession of the parties that have arrived at the total. Now, could we not have that detail work? I do not ask that it be printed in the report, but it should be laid on the table so it may be tested. How can we have this test made if we have not the details that form the total?

Hon. Mr. CALDER: But unless you cross-examine the reference to every one of those items, how are you going to be certain as to whether they are correct or not?

Hon. Mr. DANDURAND: Of course, we must rely on our experts. Our experts are to be found in the two railway systems or in the Railway Board. We have not yet decided to bring the Railway Board experts to test these details. But the parties who have been on that job since 1934 are the Canadian National and the Canadian Pacific. The Canadian Pacific says, "Here are my estimates." The experts of the Canadian National will be brought here to test every one of those figures. We shall be in the air as to the general total without having the detail. I do not ask to see those details, but when the Canadian National experts representing the various departments come before us, they will give their opinion on the case which the C.P.R. is supposed to have made, and then they will have those facts.

Hon. Mr. CALDER: Suppose the members of the committee under the arrangements suggested insist upon taking up every one of those proposed changes and cross-examining on them, we shall never finish our work this session.

Hon. Mr. MURDOCK: What is the matter with taking up those changes where there is very marked confusion as between the figures and lists laid down in front of us right now?

Hon. Mr. CALDER: Unless you limit it somewhere we shall never get through. I quite understand Senator Dandurand's point of view. He is correct; I say that without hesitation. It is only a question of time. We have an estimate of savings of train miles.

The WITNESS: Passenger train miles.

Hon. Mr. CALDER: Those savings of passenger train miles run into millions of miles and involve the consideration of thousands of trains. Now then, I want to break down that figure, and I want to be sure I break it down correctly. What does it mean? It means you have to take every proposed train abandonment, not one, two, three, four or five, but all, and you must follow them through to a conclusion. To do that and to cross-examine both sides, the C.P.R. and the C.N.R., we shall have a six months' job in that particular alone. It is a question of time. I am not objecting to the idea of making an effort to break it down, but if you are going to break it down you have to follow them all right through or take a few examples.

Hon. Mr. DANDURAND: I draw your attention to this situation. You will remain with those totals that are here, and as against one witness being heard here you will have another witness saying, "I don't believe in that. I believe the picture is different." He generalizes on totals and comes to a different conclusion.

Hon. Mr. CALDER: I am quite agreeable. Go ahead. I am trying to warn the committee against what is going to happen.

[Mr. R. G. McNeillie.]

Hon. Mr. HUGESSEN: Might not the object be achieved if the C.P.R. experts were asked to hand their detailed information to the Canadian National experts?

Right Hon. Mr. MEIGHEN: Then the C.N.R. traffic men could go to the towns affected and say, "The C.P.R. proposes to cut off that line." You can surely see the C.P.R.'s position.

Would you be willing to do this differently, first of all to give us the principles upon which you have made your calculations, and secondly, to go over them with the traffic experts of the Railway Commission with a view to convincing them that you were fair and reasonable in arriving at your calculations, so that they could give us impartial evidence?

Hon. Mr. DANDURAND: Yes, but you will have to face this situation: that the committee representing the Senate may be confronted with contradictions to a certain extent—perhaps 50 per cent of the statements that are here—and where will we be then?

Right Hon. Mr. MEIGHEN: I thought the best we could get would be the traffic men of the Railway Commission.

Hon. Mr. DANDURAND: But it is predicated on so many factors.

Right Hon. Mr. MEIGHEN: They will understand them much better than we will.

Hon. Mr. DANDURAND: But it would mean that we would transfer our duty to someone else that would not be before us.

Hon. Mr. BLACK: I have a different view. I agree with what Senator Calder says. It is a big job. We have an estimate which we are going to have explained as to a proposed saving of \$50,000,000 or \$55,000,000 by the elimination of certain roads by the C.N.R. Now, if we go into this we have to have a statement of the proposed \$55,000,000 to be saved, and we will have to spend another two or three months on that. I say it is unfair to the C.N.R. to have disclosed what they proposed to abandon, just as it is unfair to the C.P.R. I do not believe we will be any further ahead.

Right Hon. Mr. MEIGHEN: You do not mean line abandonments?

Hon. Mr. BLACK: Train abandonments. They had the same type of proposition—I have not seen it—under which they proposed a saving of \$50,000,000 odd. There is a difference in the amount, but it is only in the amount. It means a very large abandonment of train mileage by both companies, and if we go into one case we will have to go into the other, and I do not think we will be any farther ahead. If they decide on unification, I think that is a matter they must agree on themselves.

The WITNESS: There is another thing that should be borne in mind. None of these trans can come off without the permission of the Railway Board.

By Hon. Mr. Robinson:

Q. These proposals, as I understand, are made on the basis of an ideal from a purely railway standpoint, regardless of how they will affect the localities or the country.—A. Oh, no. We did give regard to how it would affect the localities

Q. At any rate, it is an ideal railway proposition?—A. Yes, sir.

Q. And there is a possibility—I think a probability—that many of these proposals are not workable.

Hon. Mr. HAIG: Why?

Hon. Mr. ROBINSON: The very fact that the witness does not want to disclose them—and I think he is right—shows that there is going to be very strong opposition in certain localities, and the question in my mind is whether these proposals can be worked out when it comes down to facing the Railway Commission and the country. Are they workable?

Hon. Mr. CALDER: That is a matter of opinion. I think the principle Senator Dandurand wishes to adopt is perfectly sound, namely, that we should make an effort, if possible, to break down all these estimates; but this estimate of track mileage is only one of about fifteen estimates. It has already been intimated to us that there are some eighteen other witnesses to be called, all of whom are to deal with similar matters, and if we are going to break down these estimates properly we will have to follow the thing through to a conclusion. You cannot partly do it; you have to do the whole job. All that I am attempting to do is to get things arranged so that the committee will not be absolutely bogged and be nowhere near getting our evidence in this session.

Hon. Mr. ROBINSON: I was going to ask the witness candidly whether he thinks these proposals are workable.

The WITNESS: Yes.

Hon. Mr. McRAE: I think Mr. Meighen's suggestion is the logical one. Senator Dandurand said we would have to refer this evidence to the experts. Our experts are on the Railway Commission. Cannot we short-circuit the matter by having the details of the Canadian Pacific and the Canadian National submitted to the Railway Commission experts who, in turn, can give evidence as to the discrepancies between the two. I think that would be much clearer to us than this endless detail. We are getting too many details.

Apropos of that, I will take the passenger car mileage. The information to-day shows a discrepancy, a reduction of 12 per cent. That is one thing I have in mind, keeping the total before me. If we go into detail we are going to get into an endless thing. Why not put it before our experts on the Railway Board and let them give their evidence of what the Canadian National scheme is, and what the Canadian Pacific scheme is, and give evidence as to the discrepancy?

Hon. Mr. DANDURAND: I draw attention to this situation, that we are transferring to the Railway Board a certain amount of evidence that is coming before us, and upon which they can perhaps pass a more exact judgment than we could, because they are railway experts; but the Canadian National's point of view would have to be given there instead of here. I wonder if we are not transferring this inquiry into the hands of the Railway Commission.

Hon. Mr. McRAE: No. As I see it, the evidence here deals with the sum total, and we are only transferring the details to an intelligent and experienced body of officers to advise us with respect to those details.

Hon. Mr. DANDURAND: Would not those details be exacted by the experts of the Railway Commission?

Hon. Mr. HAIG: Surely.

Hon. Mr. DANDURAND: Then I come back to this point. The Canadian Pacific says, "We can effect \$75,000,000 of saving by lifting 5,000 miles of rails"—

Some Hon. SENATORS: No.

Hon. Mr. DANDURAND:—"and dispensing with a certain number of trains." Now, these facts are bound to come before the Railway Board, either under co-operation or a unification piecemeal, which has to give its sanction. Since the Canadian Pacific has said they will effect certain savings up to \$75,000,000, is it not up to them to justify that statement here? They say, "We will give a general estimate, but we will not say what trains we will withdraw or what rails we lift, because it is not prudent to do so, and you will have to accept our general statement." I think prudence must disappear. We are facing the facts, and we want them wholesale. They would have to give them to the Railway Board in detail, why not here?

[Mr. R. G. McNeillie.]

The Canadian National says that perhaps 2,000 miles can be done away with. They have to tell us what those 2,000 miles are. Now, there are 3,000 miles yet to be examined. Will the Canadian Pacific say, "We will drop those 3,000 miles and agree on 2,000 miles? Surely this committee is entitled to know all the facts and to test the facts. I do not say we will have to go into every movement of a train, but every movement of trains is mentioned in detail in order to reach a total. Should not that be brought before the committee?"

Hon. Mr. MURDOCK: Mr. Chairman, I agree absolutely with the thought that the railroad should not be requested to tip its hand and indicate to the public just what it is going to do, thus starting recrimination or resentment. But in these tabulations we have before us there are five items that I think should be explained, because they all refer to the territory between Toronto and Windsor; and I think we ought to know how the service is going to be handled, because we have already ascertained that pooling has fallen down between Woodstock and Windsor. Now on page 1 the "details of reductions in passenger train miles, revised estimate," we find that between Montreal and Windsor there are 175,000 odd train miles to be saved. Then a little below that, between Toronto and Windsor, there are 117,294 miles to be saved. Then, on the following page, captioned "Details of passenger train mile reductions made since 1930," we find another item between Toronto and Windsor, of a saving of 46,556 miles. Then on the following page—

Mr. BIGGAR: It is on page 4.

Hon. Mr. MURDOCK: Yes. Page 4 is the second following page after the one I was dealing with.

The CHAIRMAN (Hon. Mr. Beaubien): You said page 2. Go ahead. Excuse me for interrupting.

Hon. Mr. MURDOCK: The pages are not all numbered.

By Hon. Mr. Horsey:

Q. Has your company made any estimate—

Hon. Mr. MURDOCK: Half a minute.

Hon. Mr. HORSEY: I thought you were finished.

Hon. Mr. MURDOCK: Nobody can get a chance to finish here.

Then we come to the second following page captioned "Estimated reductions possible in duplicate passenger train services on basis of 1937 traffic," the second item being Toronto-Windsor, 565,678 miles. Now, there are five references to Windsor. How is the saving going to be made—by duplication or by unification—between Toronto and Windsor? We are surely entitled to know that.

The WITNESS: I can explain that.

Hon. Mr. CALDER: But you cannot stop there. If you take up one section you have to take all.

Hon. Mr. MURDOCK: Pardon me. We have already got evidence before this committee indicating that under the proposed plan of unification there is no intention whatever of abandoning the Canadian National tracks from Detroit to Chicago or from Port Huron to Chicago.

The WITNESS: Oh, no.

By Hon. Mr. Murdock:

Q. You will find it in the record, and you will also find that it is contemplated that the Canadian Pacific will use the Michigan Central tunnel and tracks into the Illinois Central station in Chicago. What I am wanting to know this morning is how all this mileage in the five specified items between Toronto

and Windsor is going to be saved; whether the trains are going to move on Canadian Pacific tracks or Canadian National tracks?—A. I can explain that. In this estimate for 1937 it is definitely Canadian National mileage.

By Hon. Mr. Robinson:

Q. What page?—A. Page 5.

Hon. Mr. HAIG: It really should be page 3, not counting the first page.

The WITNESS: Anyway, it is headed, "Estimated reductions possible in duplicate passenger train services on basis of 1937 traffic," and it gives the Transcontinental as 892,000 miles. This item "Toronto-Windsor, 565,678 miles," is based on the proposed abandonment of the Canadian Pacific between Woodstock and Walkerville alone, and the trains running on the Canadian National.

Hon. Mr. MURDOCK: I am glad to hear that. That is the first item I have had. But what is the proof?

The CHAIRMAN (Hon. Mr. Beaubien): May I make a suggestion? There seem to be two ideas before us, and we must decide on them. Senator Dandurand is quite right from the point of view of law, that you have to make your case. The C.P.R. has to make its case, and if he insists upon it you have to prove the saving of every tack or spike on the railway and every item of no importance if we follow that right down to the very smallest unit. On the other side, they say that is impossible. Now, we have to find some sort of reasonable way if we really want to do our work. We want to be sufficiently informed, but we must not insist upon such information as would render our investigation futile and impossible. May I suggest that Mr. McNeillie answer whether my suggestion is right or not. When you say you are going to take off a certain number of miles from a certain service—take Halifax to Montreal on page 1—you say we propose to take off 115,000 odd miles.

The WITNESS: That is the 1930 proposal.

By the Chairman (Hon. Mr. Beaubien):

Q. Now, supposing that was said by the Canadian National, and you were in possession of the information you have, if that figure was unreasonable, could you prove it?—A. I can prove that figure as quite reasonable.

Q. No, no. I want the Canadian National to have a fair opportunity to criticize this.—A. Yes, sir.

Q. Knowing you, as I do, I am going to put this up to you: when the Canadian National have that before them and they know that you intend to lop off 115,258 train miles from the Halifax-Montreal service, will they have enough information to be enabled to come here and say that that is unreasonable, and that it should not be done, for instance, if they believe that?—A. They can check those figures.

The CHAIRMAN (Hon. Mr. Beaubien): Now, gentlemen, I suggest to you humbly that for the time being—

Hon. Mr. DANDURAND: Will you let me, in answer to that statement—

The CHAIRMAN (Hon. Mr. Beaubien): I have not finished. Do you not want me to finish?

Hon. Mr. DANDURAND: I want to ask a question. When he says that 115,258 train miles can be dispensed with between Halifax and Montreal, I want to know on what routes the changes will be made?

By the Chairman (Hon. Mr. Beaubien):

Q. Of course, you know very well on what routes you intend these miles to be taken off?—A. Yes, sir.

Q. And your opponents—or your friends, I should say—can criticize your statement if they want to?—A. Yes.

[Mr. R. G. McNeillie.]

The CHAIRMAN (Hon. Mr. Beaubien): In that case, I suggest that we go on. The Canadian National representatives will be listening and taking notes, and they can come afterwards and criticize the figures presented by Mr. McNeillie and say wherein they think they are unreasonable. Surely we can judge between them, without going down to the last train mile, or the last spike on the railway. I suggest to you that in the interest of effectiveness we should go through with the evidence of the Canadian Pacific, and then let the Canadian National come in rebuttal. They will be perfectly free to rebut, and we shall be perfectly free to accept their arguments.

Hon. Mr. COTE: I should like the Canadian National to go further than merely criticize these figures. I should like the Canadian National officials to take the Halifax-Montreal situation, for instance, and study it honestly and constructively, and then give us their opinion as to whether a saving of train mileage can be made or not, and if so to what extent. I think that should be the attitude and the approach of the Canadian National to the problem.

The CHAIRMAN (Hon. Mr. Beaubien): That must, of course, form part of their rebuttal evidence.

Hon. Mr. COTE: This is not a statement of claim and a defence.

Right Hon. Mr. MEIGHEN: It should not be.

Hon. Mr. DANDURAND: I wonder if the witness cannot tell us on what routes the savings of 115,258 train miles will be made. Those savings may imply the lifting of a certain number of miles of rail.

The CHAIRMAN (Hon. Mr. Beaubien): If I were asked as to that, I think that question is well put.

The WITNESS: What I feel is this, senator, that we cannot place ourselves in the position to-day of giving out information to the public regarding this submission as to definite trains. When the time comes to do anything, unified management will make the decision. Their decision might be different from the figures that we have set out, in some respects. But we do believe that these figures are reasonably correct, and that while some of the trains that we have considered would be affected, may not be the ones which would be affected, others would be. We do not want to give these details out to the public, because it might be a serious handicap to us.

By Hon. Mr. Calder:

Q. Take the situation between Winnipeg and the head of the Lakes. There are three main lines in there. Now, your argument briefly is this, that there is no necessity for those three lines, in so far as existing train miles are concerned?—A. Exactly.

Q. In other words, there is bound to be a saving under unification?—A. That is our contention.

Q. That is, that the traffic can be arranged in such a way that of necessity there is a saving? Now, as I understand your position, you do not want to be tied down here, there and everywhere all over the country as to just exactly where that saving will take place? Take the situation between Montreal and Halifax, for instance. You have three lines. Your argument, in brief, is that there must be a saving there under a unified plan?—A. That is correct.

Q. And that that saving would take place, no matter which of those lines you used?—A. That is right.

By Hon. Mr. Haig:

Q. Can you tell us what you can? Maybe that will be all we want. If that is not enough, we can press for more.

The CHAIRMAN (Hon. Mr. Beaubien): That is in line with my suggestion. Let him give his evidence, and then we shall have a rebuttal by the Canadian National.

Hon. Mr. DANDURAND: A rebuttal of certain facts. The evidence should be sufficiently clear for the Canadian National to rebut.

Hon. Mr. CALDER: I have just one more question to ask, and I should like to get Senator Dandurand's idea on it. As to this detailed analysis, not only of these estimates but of the other multitude of estimates that we are going to have placed before us, how long is that going to take?

The CHAIRMAN (Hon. Mr. Beaubien): Is that a question to the chair?

Hon. Mr. CALDER: No, it is a question to Senator Dandurand. I want to get an idea of whether this committee is ever going to complete its work. If it is not, then I think that a Royal Commission or some other body should be appointed to go into this mass of details and deal with them before the next session of Parliament.

Hon. Mr. DANDURAND: It seems to me it would be very easy for the witness to tell us the basis for these figures of estimated reduction in train miles between Halifax and Montreal, and so on. What routes would be affected?

Hon. Mr. CALDER: But I should like to have an answer to my question. If there is no chance of this committee getting through this session, I am not going to spend my time sitting here week after week and getting nowhere. And it seems to me that it will be absolutely impossible for us to complete our inquiry before Parliament rises, even this end of our inquiry. If that is so, what is the object of our proceeding? If the desire is to put the inquiry in such a position that we cannot complete it this session, let us know that. It will take weeks and weeks and weeks to finish the inquiry along the lines suggested.

By Hon. Mr. Murdock:

Q. May I ask one question? This is all predicated on unification and line abandonments, is it?—A. Yes, sir. But certain line abandonments would have no effect on this.

Hon. Mr. CALDER: I should like to have an answer to my question.

By Hon. Mr. Horsey:

Q. Would it be very much reduced—

The CHAIRMAN (Hon. Mr. Beaubien): Unless we have very illuminating questions, I think we ought to let the witness proceed.

Hon. Mr. HORSEY: Is the Chair going to distinguish between illuminating and darkening questions?

The CHAIRMAN (Hon. Mr. Beaubien): Let us proceed. And later, Senator, you may have a monopoly of illuminating questions.

Hon. Mr. CALDER: Mr. Chairman, I want an answer—

The CHAIRMAN (Hon. Mr. Beaubien): Do not let us have any anarchy here.

Hon. Mr. CALDER: I will ask the counsel, who is more or less in charge of the inquiry here. I will ask him how long it will take to proceed with the inquiry along those lines.

Hon. Mr. MURDOCK: The answer is "Search me"?

Hon. Mr. CALDER: No, it is not.

Hon. Mr. DANDURAND: Have you agreed, Senator Calder, that the witness should tell us, as he goes on, through what routes he is proceeding?

Hon. Mr. CALDER: That is not what you asked for.

Hon. Mr. DANDURAND: Yes.

[Mr. R. G. McNeillie.]

Hon. Mr. CALDER: As I understand it, the witness has made an estimate of so many millions of dollars that can be saved in track mileage. Now it is suggested that we should break that down. In order to break it down we shall have to consider every train that runs in this country—

Hon. Mr. MURDOCK: Not necessarily.

Hon. Mr. CALDER: And see where it goes.

Hon. Mr. MURDOCK: Nonsense.

The CHAIRMAN (Hon. Mr. Beaubien): That question is abandoned.

Hon. Mr. CALDER: Is it abandoned?

The CHAIRMAN (Hon. Mr. Beaubien): Yes. Senator Dandurand wants to know now what the routes are.

Hon. Mr. CALDER: Well, you will have to go over every one of these trains the same way. You cannot stop with three or four of them. If you are going to break the figures down you will have to break down every item that is here, and every one involves the rerouting of trains.

The CHAIRMAN (Hon. Mr. Beaubien): The question does not go as far as it would. Senator Dandurand wants to know what the routes are. If the witness insists that it is not fair to ask him that question, the committee will decide about it.

Hon. Mr. DANDURAND: Colonel Biggar put a question just now—

Mr. BIGGAR: The question that I put and that introduced this discussion, has been suggested to me, is a question that the witness said he cannot answer.

The WITNESS: What I feel is this, that our case with the public would be very greatly prejudiced if we gave out any detailed information in connection with this estimate. There will be a witness following me who will be able to give you some financial details of this. Further, I understand in connection with most of the other witnesses, they will be able to give you all the other figures and the breakdown, where there will not be any competitive situation involved. But this is a decidedly competitive situation, and very serious to us.

Hon. Mr. HAIG: Could we not let Mr. McNeillie be his own judge and give us as much information as he can? Then we could call the C.N.R. men, and let them judge between the two which we think is the better estimate.

By Mr. Biggar:

Q. Is there anything further which you can add?—A. No. All the information, Colonel Biggar, is right here in the memorandum.

E. G. O'BRIEN reappeared as a witness and took the stand.

By Hon. Mr. Hardy:

Q. Are you going to read all those documents you have in that bundle?—A. No sir. The committee has asked that I produce all these thousands of work sheets.

Mr. BIGGAR: I do not think you need to open that bundle.

Q. Have you a memorandum covering the situation, the general situation?—A. Yes sir.

Mr. BIGGAR: I may say that this is as to Exhibit C, page 418, estimated freight in freight, mixed and other train miles. Mr. O'Brien dealt in part with freight train miles and was to come back to-day with a memorandum containing the information in a summary form.

Q. You have that memorandum before you, Mr. O'Brien?—A. Yes sir. There were several questions asked. Shall we refer now to the question as to comparison—

Q. You can deal with those several questions. They are at pages 688 and following pages of the proceedings.—A. As to the question at page 688 of the record, that is a request for a comparison of figures shown in the Canadian Pacific Exhibit C, page 418, with the Canadian National Exhibit 1, page 48. You will note that the Canadian National Exhibit 1, at page 486, shows economies on a dollar basis, whereas the Canadian Pacific Exhibit C, page 418, shows economies on the basis of units, or a reduction in freight, mixed or other train miles and in freight car miles. In order to make a comparison between these two exhibits which would be of value to the committee, I wish also to refer to pages 508 and 509 for further details of the Canadian National figures that is those figures shown on page 486.

By Hon. Mr. Haig:

Q. Pages 508 and 509 are what?—A. They are further details of the general statement on page 486.

By Mr. Biggar:

Q. You will have to refer to the specific figures on page 486 that you are dealing with, and the way that these are expanded on pages 508 and 509?—A. On page 486 you will find the first heading that is covered by the Canadian Pacific Exhibit C is the question of line abandonments. If you go to page 508—

Q. Tell us where the item for line abandonments is?—A. That is in section IV at page 486, the fourth item.

Q. And the figure is \$4,300,000 for a normal traffic year?—A. Yes sir.

Q. And now you are going to pages 508 and 509 with regard to that?—A. The rerouting of traffic is again referred to at pages 516 and 517. On page 486 you see only the total in money, but on page 508 you get the train service which is broken down as between maintenance of way and structures, and train service. That makes a better comparison as to the Canadian Pacific units than the total amount on page 486. On page 516, if you add the two items of mixed and freight services, which are those referred to for the Canadian Pacific on page 418, you get a total of \$884,066.

Q. I am not following you.—A. There is an item of \$822,094, mixed train miles and \$61,972, freight car miles.

By the Chairman (Hon. Mr. Beaubien):

Q. On what page?—A. Page 508.

Q. Then you referred to another page.—A. Then again on page 509, you will see rerouting of traffic. There is a total there of \$1,495,620 in section I.

By Mr. Biggar:

Q. Was that figure \$1,495,620 compared with the Canadian Pacific figure?—A. Not quite, sir. On page 509 the two bottom items refer to water services. \$300,000 from that gives you \$1,195,620, which is comparable with the Canadian Pacific.

Q. With the Canadian Pacific figure of?—A. 2,108,175 train miles.

Q. There is roughly a difference between you of 200,000?—A. Roughly 1,000,000.

Q. Yes.—A. There are some further details of that particular question of rerouting of traffic on pages 516 and 517. You will notice at the bottom of page 516 there is the caption "Equipment Released by Rerouting Main Line Traffic."

Q. Yes.—A. In that section you will find it gives the details of the rerouting, and it shows the saving on the top of page 517 in engine miles of 980,544. Engine miles, of course, are not exactly comparable with train miles, but w

[Mr. E. G. O'Brien.]

ave those figures on page 509 of \$1,195,620 in money and the 980,544 engine miles, making roughly what I would estimate is 1,000,000 train miles or engine miles as compared with the Canadian Pacific 2,000,000.

Q. And the result of all that is?—A. To go into the details, you will find the Canadian National at the bottom of page 516. They show that where the traffic is to be rerouted—that is comparable with that statement you had before you on Friday last showing all these details from Nova Scotia to Montreal. We had twenty-five items. You will notice the Canadian National have three places at which traffic was to be rerouted.

Q. Yes.—A. I would make a comparison of the Canadian Pacific estimate with those three points common to both railroads.

Q. That would be useful.—A. The first point mentioned in the Canadian National is Kamloops to Vancouver. If you go to the bottom of page 516 you will find one column headed "Present Routing," and the other column "Proposed Routing." The total cost is there, but the saving has not been worked out. I could give you this in the first case, Kamloops to Vancouver 498,726.

By Hon. Mr. Calder:

Q. That is only an estimate?—A. That is their estimate or calculation.

Q. How do the committee know it is correct?—I think I can satisfy you at a moment.

Q. If we are going to break that down I want to be satisfied that it is correct.—A. This, you see, is locomotive miles. As to how they made it up I have no knowledge at all. Possibly if I had the information of their lines that they have—

Q. What is your own?—A. Our own estimate was just 100,000 train miles. Our estimate, you will notice, that we had on Friday showed 398,000 in miles.

By Mr. Biggar:

Q. The statement we had on Friday that you are referring to now is Exhibit 52 on page 717?—A. Yes, sir.

By Hon. Mr. Calder:

Q. 100,000 train miles?—A. On page 717, between Kamloops and Vancouver the reduction in freight, mixed and other train miles is shown as 398,000; whereas on page 516 on that same route the Canadian National show an estimated reduction of 498,000 locomotive miles.

Q. Which is right?

By Mr. Biggar:

Q. I suppose you are pointing out that you are approximately the same?—Oh, no, sir. Our estimate is very much lower than the Canadian National.

Q. You are 25 per cent different.

By Hon. Mr. Calder:

Q. Wherein are they wrong?—A. I think our estimate was very conservative, perhaps too much so, but we were making a conservative estimate.

Q. But how do we know it is conservative?—A. I think the comparisons indicate it was conservative.

Q. Not necessarily.

By the Chairman (Hon. Mr. Beaubien):

Q. Anyhow, Mr. O'Brien, you are taking off less mileage than the Canadian National; that is why you say you are conservative.—A. That is not the reason, but I feel our estimate is conservative because I know the basis on which we made it up.

By Hon. Mr. Calder:

Q. Then we just accept your estimate, that is all.—A. I think a comparison on these three items would indicate the figure is reasonable so far as we are concerned.

Q. We are just taking your word for it.—A. Exactly, sir; but if you wish to go into the others, I have nothing to compare them with.

Q. We cannot tell who is right unless you do that.

By Mr. Biggar:

Q. The point you are making, Mr. O'Brien, is, putting it shortly, that these three cases given at the bottom of page 516 are 100,000 miles less than the Canadian National estimate on No. 1—A. On No. 1, yes, sir.

By Hon. Mr. Calder:

Q. Why is he not 300,000 or 200,000 less?

By Mr. Biggar:

Q. Let us get the figures. We can dispose of it in that way, perhaps. On the second how many?—A. On the second we have estimated—

Q. What is the difference between the two? How much below the Canadian National are you?—A. On the second one the Canadian National estimate was 405,602 locomotive miles; the Canadian Pacific estimate is 131,149. The Canadian Pacific estimate is lower than that of the Canadian National by 274,000 miles.

Q. Now, what about the third?—A. The Canadian National saving was estimated only on the movement from Toronto to Sudbury; whereas the Canadian Pacific estimate was based on a wider territory. We took in the rerouting of freight from North Bay. That makes quite a difference in the total arrival at. The Canadian National estimate for Toronto-Sudbury was only 76,000 miles, whereas the Canadian Pacific estimate on the Sudbury and North Bay combined rerouting was 140,000.

By Hon. Mr. Calder:

Q. Using the same tracks?—A. I don't know just what track they are proposed to use, sir.

By Hon. Mr. Robinson:

Q. Those are engine miles?—A. The Canadian Pacific show train miles, the Canadian National show locomotive miles. But when you come into the money picture they are very close to \$1 a mile. So I presume there may be a slight difference, but it cannot be very great.

By Mr. Biggar:

Q. Is there any other point, Mr. O'Brien, on which you want to expand what was said on Friday?—A. On the basis of these three studies, which are common to both points, due to the fact that the Canadian National estimate is based on three operations, and the Canadian Pacific on twenty-five operations, I think it throws some light on the total shown in Exhibit C as to the question of rerouting of traffic.

Q. What light do you think it throws?—A. The Canadian National on those three items show 331,000 more train or locomotive miles than does the Canadian Pacific. On the balance of the twenty-two items that I studied the Canadian Pacific estimate is, I think, on the same basis, and I feel there are additional savings not taken into the Canadian Pacific study. These things develop in practice. Where we have consolidations they have discovered possible economies a number of years after the roads have been consolidated.

[Mr. E. G. O'Brien.]

By Hon. Mr. Horsey:

Q. Why should they be on the same basis when there is such a variation in the results?—A. I know the difference in the second item where there is a very great discrepancy. We took in the traffic only in the vicinity of Calgary, whereas the Canadian National statement shows they took in traffic east in northern Saskatchewan. I think possibly there is some of that traffic might go through there, and there might be greater savings than indicated in the Canadian Pacific study, considerably greater.

By Hon. Mr. Calder:

Q. That would mean, then, if we break down your figure in one direction you build it up in another?—A. I do not think there are any figures, sir, in his statement on the comparison of these three items that are not very conservative, and I do think where there are a number of other items I might include—

Q. If this committee succeeds in breaking down some of your estimates, you build them up by putting in other things that you have not taken into account at all.—A. There are very many, and even if I attempted to give you all after a detailed study of this movement under unified management, there would still be other developments.

By Hon. Mr. Horsey:

Q. Why do you present such a weak case to the committee? Why don't you put them in?—A. We went through our operations and tried to get all the information we could in connection with the Canadian National operation.

Q. I mean to say if you know there are a great many others why do you not include them?—A. I am giving you a study made in 1932. If I had to make a study again, and had sufficient time, or if I had had sufficient time in 1932, I think it would be much more comprehensive and would have shown greater savings.

By Mr. Biggar:

Q. Are you going to deal with the other point we left open on Friday?—A. Yes, sir. The next item which we have left over on Friday was the increased or heavier loading of cars, page 486, and also page 418, the Canadian Pacific estimate. There is a difficulty in making the comparison. The Canadian Pacific had two items, consolidation of merchandise traffic and heavier loading of carload traffic. If we combine those two, we find roughly about 1,000,000 car miles. The only comparison I can find with the Canadian National item on page 509—that is the one we were discussing—shows 61,395,000 car miles.

By Hon. Mr. Calder:

Q. Against your?—A. Against our 31,000,000.

By Mr. Biggar:

Q. Whereabouts on page 509?—A. Under Exhibit No. 14, the fourth item, 1,395, and add three zeros.

Q. 61,000,000?—A. And 395,000.

Q. You don't think that is a useful comparison, though?—A. It is. I think they have included something that we may not have included in there, but our estimate was based on our view of what could be done, as we saw it, in 1932; and theirs was also, I presume. But there is a slight difference. The Canadian Pacific estimate was made up on the ability under unification to put more merchandise in cars. That is something for which our own staff or the railway

employees are responsible. There is a peculiar thing in that. This merchandise represents about 30 per cent of the total cars loaded, and the possibility for reducing car miles there is very great. We estimate it on the heavier carloading group, those two items only, a 1 per cent increase, whereas the Canadian Pacific is 5 per cent on heavier loadings.

By Hon. Mr. Calder:

Q. How do you get at that 5 per cent?—A. It is merely an estimate. Our 1 per cent, I presume, was based on where we would place our larger cars. It is difficult to keep your larger cars just where they would be required, and we felt that under unification a greater percentage of larger cars would be available for a sudden order movement, for instance, a movement of grain from the bay ports. If you have the larger cars available to handle that particular movement you have a very great decrease in the number of cars moved. But in the actual working out it may be less than or more than 1 per cent. It depends on the class of traffic you are handling.

Q. In other words, it is only an estimate?—A. It is an estimate.

Q. It may not be a reality at all?—A. Or it may be much greater.

Q. It may be less or much greater?—A. Yes. But this estimate of 1 per cent was based merely on the ability of the unified railway itself to do something.

By Hon. Mr. Robinson:

Q. Are not the separate railways improving without unification?—A. It is extremely difficult. I had to give that very close attention, and the railway associations are all working on it. There is always a question of competition. They do what they can themselves. Under unification what they could do themselves would have a much wider field.

Q. And "the public be damned."—A. No, sir, that was not in our estimate. Our estimate of 1 per cent was based entirely on our ability to get the larger cars where they might be used to advantage, that is, the greater capacity cars. If you have a sudden demand in one area for large cars, and you have 5,000 cars in that area, you can get the number of cars you require; if you have only 2,500 cars on one particular line, you can only get half of it.

By Mr. Biggar:

Q. Mr. O'Brien, on pages 702 to 705 inclusive, I think, of the proceedings you were asked to prepare for to-day a series of written statements. The first statement on page 702 was with regard to items F to Y, inclusive, in Exhibit No. 32 on page 717; then in the middle of page 703 you were asked to indicate as far as you could to what extent savings that you were going to give depended on the abandonment of lines; that was to cover item 5 on page 418, and there is a reference on page 704 to items 2, 3 and 4. Now, have you got with you those written statements which you were to bring forward to-day?—A. I have a statement of the rerouting of traffic. There are—

Q. Can you read that and get it down to brass tacks?—A. Yes, sir, but I have not been able to put it down in one short item, as you ask for it.

Q. I am finding it a little difficult to follow the effect of your evidence just now.—A. You ask for three or four references there, and I am trying to give them in the same year.

Q. Cannot you generally take up those points and dispose of them?—A. I will endeavour to do so. They cannot be in the same order. To dispose of the last question, I would like to summarize the difference. If we include the additional saving, the Canadian Pacific estimates on page 418 that are shown in the Canadian National estimates, it would increase the Canadian Pacific estimate of 5,301,000 miles by a total of 3,596,000.

[Mr. E. G. O'Brien.]

Q. When you speak of miles, is it miles of line?—A. Train miles. The Canadian Pacific estimate of savings on the re-routing of traffic shows a total of 5,301,000 train miles. If we were to add to that the additional saving shown by the Canadian National on the prairies, and also the heavier loading which they estimate in connection with the heavier loading of carload traffic, it would make the Canadian Pacific estimate greater, or, instead of 5,301,000 train miles we would have a total of 8,897,000 train miles.

By Hon. Mr. Calder:

Q. That would increase your general estimate by 3,000,000?—A. It would increase our estimate of ton miles by 3,000,000. Our estimate affects a great many other things, locomotive miles, locomotive repairs. We develop the units first, and later on the exact money will be brought in.

Q. But at a dollar a mile it would increase your estimate by \$3,000,000 roughly?—A. For train expenses only it would be a dollar a mile. It would increase the total savings by probably a greater amount. That is a money matter that I am not prepared to discuss at the moment.

Q. So, if you accept that figure, by that item alone you increase your estimate by \$3,000,000?—A. Yes, sir, and there are many other savings that are not included in either study that would develop in practice.

Now, the next thing you mentioned was at page 703. You asked me to make an estimate of the extent to which the savings are dependent upon the abandonment of lines.

Mr. BIGGAR: Mr. Leslie told us that was all going to be dealt with together.

The WITNESS: Yes, sir. The money part is entirely in there.

There is only one other point. In that statement on page 717 there is 43,000 train miles shown as a credit, in other words, deducted from our statement. If there were no abandonments that would be eliminated. That would increase the total of 2,108,000 by 43,000.

Q. Yes.—A. There is only one other item. Senator Hugessen asked on Friday about Fredericton to Vanceboro, if there were any abandoned lines.

By Hon. Mr. Hugessen:

Q. No, no; Calgary and Edmonton to Vancouver.—A. There was a question you asked as to co-operation.

Q. I asked to what extent the savings you estimated in 1932 had been realized under the co-operative agreement between the two railways relative to the loading of wheat between Edmonton and Calgary and the Pacific coast.—A. We have not been able to reduce that to money, but I can give you the number of carloads exchanged at Edmonton and Vancouver by years. It is very informative.

Q. I do not want that, but the extent to which your estimate of the savings on the re-routing of freight traffic has been realized by that arrangement already.

—A. You have 8,000 cars exchanged. It would possibly be fair to estimate at 40 cars per train mile in that territory, which would be 200 trains. That multiplied by the distance from Calgary to Vancouver—it really amounts in money to \$1,700,000.

Q. No, no.—A. That is included in the \$1,700,000. That is referred to as economies that have been or are in process of being made, and it has been taken care of. That particular operation will be taken care of in the deduction from the 75,000,000 in the final estimate.

But you did ask a question as to the service between Fredericton and Vanceboro, where there are already joint facilities. That local situation is one that probably would throw light on the difference between re-routing with abandoned lines and without abandoned lines. The territory from Saint John to Vanceboro is covered by both railways.

By Hon. Mr. Dandurand:

Q. To where?—A. Saint John to Vanceboro. Will I indicate it, sir?

By Mr. Biggar:

Q. Yes, do.—A. Saint John is here, and Vanceboro is at the end of this black heavy line. (Indicating on map.) You will note that the Canadian Pacific have a lower line from Saint John through Fredericton Junction to Vanceboro. The Canadian National line leaves Saint John to Westfield Beach and into Fredericton. For some years the Canadian National traffic moved from Saint John to Fredericton, and they had joint running rights or joint facilities where they operated over Canadian Pacific tracks from Fredericton Junction to Vanceboro. We now have arranged that the Canadian Pacific trains—there were two trains from Fredericton to Vanceboro, Canadian Pacific and Canadian National—we made a joint facility that the Canadian National would deliver to the Canadian Pacific their cars, and the traffic now moves on one train, so there is a saving there under this joint facility arrangement.

I would like to point out, however, what would happen under unified management. The Canadian National are now taking this track up to Fredericton (indicating on map), and it is being drawn back to Fredericton Junction and taken into Vanceboro. With unified management it would move direct over that line to Vanceboro. That means the Canadian Pacific distance from Saint John to Fredericton Junction is 44 miles. The distance by the Canadian National is 106 miles. Under unified management you would have 44 miles to move that traffic as compared with 106 by the present route.

Q. Can you tell us whether the amount of traffic that moves over that 106 miles is substantial?—A. There is a substantial traffic, a movement of potatoes and lumber from New Brunswick via that route. We know the number of trains that are operated, and in 1930, when this figure was taken, I think there were 628 Canadian National locomotives moved over that section.

Q. Tell me, why does anybody ship over the Canadian National from Saint John to Vanceboro when it goes somewhere about 60 miles out of the way?—A. Those cars do not all originate at Saint John. The train originates at Saint John, but the cars to a large extent contain potatoes from points east of Saint John, and possibly some are Saint John local. Included in that I would expect there would be a considerable amount of traffic from Prince Edward Island and lower Nova Scotia.

By the Chairman (Hon. Mr. Beaubien):

Q. It does not cost any more to travel the 100 miles over the Canadian National than the 40 miles over the C.P.R.?—A. No, nothing whatever. But the point is that under unification that traffic would move a shorter distance, and there would be a greater saving. That is one of the studies we did not take into consideration in 1932, and there are many other situations that might develop. I think that shows the difference.

Q. Have you got the tonnage and routes in respect of that? Is that not what you were asked for, really, on page 702 of the Proceedings?

By Mr. Biggar:

Q. You have not got anything further in the way of a statement, have you?—A. Yes sir. I am sending it up to you.

Q. You have only got one copy of this statement? What you have handed me, apparently, are details of movements from Nova Scotia points to Montreal and west, Saint John to Montreal, Fredericton to Vanceboro, and so on through the list that is in Exhibit 52, at page 717, is that it?—A. Yes.

[Mr. E. G. O'Brien.]

Q. I do not suppose we need go through this. Shall we mark it and leave it available for consultation by any member of the committee who wants to study it?

By Hon. Mr. Calder:

Q. Does it contain savings?—A. Yes sir.

The CHAIRMAN (Hon. Mr. Beaubien): Rerouting for the purpose of saving.

Hon. Mr. CALDER: Are we not going to break that figure down? If we accept that, why do not we accept any of them?

The CHAIRMAN (Hon. Mr. Beaubien): That is what we are going to do.

Hon. Mr. CALDER: I should like to have a declaration to that effect.

Mr. BIGGAR: Shall I read one of them?

Hon. Mr. CALDER: We are back at practically the same point. Here is an estimate in connection with this rerouting. What is the estimate? What is the total saving, Mr. O'Brien?

The WITNESS: The total saving included in the original C.P.R. estimate was 2,108,175 train miles and 27,491,186 freight car miles.

By Hon. Mr. Calder:

Q. And the 27,000,000 freight car miles represents \$27,000,000?—A. No sir. Train miles are one dollar each, not freight car miles. This represents about \$2,000,000.

Hon. Mr. CALDER: I am quite willing to accept the estimate, but I understood that the committee were going to break down the estimate.

The CHAIRMAN (Hon. Mr. Beaubien): You do not insist upon that?

Hon. Mr. CALDER: No. But we have to be consistent. We may come back to that, Mr. Chairman, if we start to break down others.

The CHAIRMAN (Hon. Mr. Beaubien): We are getting down to a basis of reason.

Hon. Mr. HUGESSEN: At least in this case we have details of the routes and the figures.

Hon. Mr. CALDER: That is only an estimate, after all. And if we go into the details of this estimate instead of its being \$2,000,000 we might find it only \$1,000,000. We are simply accepting the estimate without any examination at all.

The CHAIRMAN (Hon. Mr. Beaubien): This statement would be sufficient, I suppose, for the Canadian National to be able to criticize it?

Hon. Mr. DANDURAND: No. The Canadian National officers say it does not give the tonnage on each route, so it would be useless for purposes of criticism.

By Hon. Mr. Calder:

Q. Would tonnage affect this at all? It would not make any difference whether the cars are loaded or empty would it?—A. If cars are loaded, it does affect your train miles. What the locomotives can haul, that is the number of cars behind the locomotive, is very much affected by what is in them.

Q. But your estimate does not take that into account at all?—A. Oh, it certainly does, sir. It would be necessary to take into account the number of gross tons to be handled. In some cases that was not particularly a factor, where there are two light parallel trains operating and a small amount of tonnage to be moved.

Q. Was that figure based upon actual tonnage for a period of years prior to that, actual tonnage carried?—A. It was based on 1930 tonnage, actual, where tonnage was a factor, but tonnage did not come into every one of those items. But we had that tonnage available when we made this estimate, so far as our own lines were concerned, and we had to use the best information available as to the Canadian National lines.

Q. That would not be very accurate?—A. In some cases, due to fluctuations, it might not be exact, but in so far as an estimate is concerned we had fairly good information, the best available to us, at that time.

By Hon. Mr. Dandurand:

Q. But you are not furnishing the tonnage to be diverted, in that statement?—A. The effect of the diversion was estimated, and the tonnage to be diverted was estimated. If you will go into them in detail you will find it has been taken care of.

By Hon. Mr. Calder:

Q. As a matter of fact you had the tonnage for the year 1930 exactly, as to your own lines. You made an estimate from the best available information of the tonnage on the Canadian National lines, and you joined those two together and made your estimate?—A. Yes sir, exactly. That is the only basis on which we could proceed. But we did find some cases where those were not the only factors. Take the situation between Saint John and Fredericton, there was a shorter mileage involved. So that also had an effect.

Q. You have those two tonnages and you can give the information, if it is desired?—A. That is on those sheets, sir, that have been supplied.

By Mr. Biggar:

Q. All the information you have, then, is on those sheets?—A. Not all we have. This is what we put down, but we had—

Q. I mean, the information upon which your estimate is based is on these sheets, is it?—A. Yes, sir. But we had additional information from which to make up these sheets, in books of train records, books of tonnage records, and all that sort of thing.

Q. None of which is now available?—A. We destroy our records after a period of six years.

Q. What is all this material that you brought?—A. I told you I would endeavour to find the thousands of sheets that came into the compilation of reduction of number of cars required to handle merchandise. That was the number of sheets in connection with that particular feature. Now as to whether the despatchers' sheets and tonnage sheets are still in our vaults, it is questionable, because the practice of the railway is that records be destroyed after six years. That is in accordance with the ruling of the Board of Railway Commissioners.

Q. Your present statement is that this figure that you have got on page 418, in item 5, is a figure which was arrived at by a series of calculations based upon information from the regular routine returns made from time to time in connection with the areas in question, is that so?—A. It is.

Q. It was based upon the regular routine returns made by the Canadian Pacific officers in the areas in question with respect to the traffic passing through their hands? So far as the Canadian Pacific was concerned, that was the information you used, is that so?—A. It is, but in addition—

Q. Wait a moment. You did use that?—A. Yes, sir.

[Mr. E. G. O'Brien.]

Q. Then you had in addition some information with regard to the movement of freight over the Canadian National?—A. The local officer gave us his local conditions, as you suggest, but the Canadian National figures we took from such information as we had available in the head office.

Q. What we are really concerned with is, what was the source of that information? You had routine reports, as I gather, from C.P.R. officers?—A. Yes. May I qualify that, by saying that the routine reports from officers, some of them, were not furnished specifically for the purpose of this study. They were already available at head office.

Q. Is that not a routine report?—A. Yes.

Q. What is the difference between a report that is made regularly and a report that is made specifically for a special study?—A. I misunderstood you.

Q. Did you have some reports in addition to the routine reports?—A. When we found that we wanted further information, we either used the telephone or telegraph and secured information that we did not find in our routine records.

Q. That would not be information with regard to the movement of freight over a particular period?—A. No, sir.

Q. What kind of information was that?—A. As to the possibility of handling all the traffic on one train, as to a direction of movement of tonnage, or some feature that possibly we were not clear on from the available reports at headquarters.

Q. Then your statement to the committee would be that in arriving at those figures you got every possible detailed fact that you thought was relevant and which was available at the time, is that so?—A. Yes, that is so, everything that we could secure or was available.

By Hon. Mr. Murdock:

Q. These sheets appear to deal with the entire systems excepting the Western Ontario Gateways to the United States. The Canadian National Railways have lines, as I said before, from Detroit and from Port Huron to Chicago. There is nothing in here to indicate what it is proposed to do now with the traffic of the two railways west of Windsor and west of Sarnia. Would we be entitled to anything of that kind?—A. As to the expenses on the Canadian—

Q. And the possibilities of unification, for example?—A. That was discussed, sir. I take it Senator Murdock's question refers to the question of diversion of traffic to the Canadian National or to the Grand Trunk Western.

Q. Yes. The Canadian National have had two lines there, one from Windsor and one from Sarnia, both to Chicago. Are we entitled to any information in connection with that and the possibility of savings by unification?—A. That would resolve itself into a question of what operating costs were on the lines which compete with the Grand Trunk Western and what proportion they would bear to the earnings. If you divert the traffic to the Grand Trunk Western and get additional earnings, there are some additional expenses on the Canadian National or Grand Trunk Western between Sarnia, Detroit and Chicago. If you refer to page 517 you will note there is an item, longer haul on traffic rerouted for greater earnings. In so far as we had it available we did take a debit for the estimate of rerouted traffic. It is a total of 8,000,000 car miles and 232,000 train miles. That was taken on an arbitrary figure of forty cars per train.

Q. Is it fair, Mr. O'Brien, to assume that there has been no estimate made of a contemplated saving between the western Ontario gateway and Chicago and the West over the Canadian National tracks?—A. As I understand you, whether or not that traffic should be diverted to the Canadian National? That is a traffic question, and Mr. Jefferson dealt with it. It did not hear all his

evidence and have not read it, but that is purely a traffic question which, I think, would be better asked of the freight traffic manager or of the men who are responsible for deciding the policy of what traffic should be diverted.

By Mr. Biggar:

Q. Have you any other memorandum, Mr. O'Brien, that you wish to refer to?—A. There is another question I was not very clear on in my evidence, and you asked me to produce a statement. That is the question of empty car miles. I did not have anything very definite, and I endeavoured to get something that would satisfy the committee that that is correct.

Hon. Mr. COTE: Why should not the witness look at it during the adjournment. It is after 1 o'clock.

By the Chairman (Hon. Mr. Beaubien):

Q. It is not very long? Will it take five minutes, two minutes?—A. Two minutes. We did not have available the details from which we made up this estimate in 1930. Therefore I was not definite in my last estimate. Most of the 1930 records had been destroyed, but we took what was available and where 1930 was not available the records of 1932 were used and mileage of 1932 equated to the basis of 1930.

By Mr. Biggar:

Q. You checked it when?—A. From Friday to Monday—mostly on Sunday.

Q. During the last week-end?—A. Yes. We took those actual mileages and then equated them on the basis of the 1930 traffic, and found the actual empty car miles were 4,184,000 as compared with 4,100,000. That is due to a slight variation in the records. If you are willing to accept that, that is all.

Q. That is as far as you can go at this time?—A. Yes.

Q. You have other memorandum that you want to submit to the committee?—A. Not at the present time.

Q. Then, subject to the committee's approval, let us mark this memorandum with an exhibit number. It will be Exhibit No. 57.

Hon. Mr. DANDURAND: Before we adjourn, I should like to suggest to members of this committee that they make no engagements for to-night. We may sit from 8 to 11 o'clock.

The committee adjourned until 3.15 p.m.

The committee resumed at 3.15 p.m.

Mr. BIGGAR: I will call Mr. Humphrey.

Mr. H. J. HUMPHREY was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Humphrey, I understand you are vice-president of eastern lines of the Canadian Pacific Railway Company.—A. Vice-president and general manager, sir.

Q. Mr. Humphrey, you took part in the study upon which this estimate, Exhibit No. 49, was based, more particularly in regard to the organization that would be set up in connection with the unified management of the railways, did you not?—A. Yes, sir.

Q. And the organization that you thought would suffice and serve the purpose is that which is set out in Exhibit F, which forms part of Exhibit No. 49, and is at page 421 of the proceedings, is it not?—A. Yes, sir.

[Mr. H. J. Humphrey.]

Q. Will you tell us how you arrived at that and to whom you gave your results for the purpose of calculating the arithmetical or money consequences of it?—A. The evidence which I am to give deals with the savings which would be made on supervisory organization under unification.

May I point out that my evidence does not deal directly with the monetary savings which would be made in supervisory organization, but merely with the organization itself.

I was not a member of the committee which prepared the estimate on this point to be included in the original estimate of savings for the Royal Commission, but in my then position as assistant to the Senior Vice-President I was more or less familiar with the work of that committee, and have carefully studied the report of that committee, and feel myself in a position to give you an informed opinion as to its value.

The method of determining the organization, as shown in Exhibit F, page 421, of the proceedings on supervisory organization under unification, was to list all supervisory units of both railways under separate operation, examine the miles supervised and estimate what could be done under unification after deducting proposed line abandonments.

In estimating the set-up for a unified operation, it is proposed to divide the system into 4 regions:—

Region "A", with an approximate mileage of 7,605, divided into 3 districts:

District 1, divided into 5 divisions, average mileage, 638

District 2, divided into 3 divisions, average mileage, 744

District 3, divided into 4 divisions, average mileage, 704

Region "B", with an approximate mileage of 7,975, divided into 4 districts:

District 1, divided into 3 divisions, average mileage, 641

District 2, divided into 4 divisions, average mileage, 633

District 3, divided into 5 divisions, average mileage, 621

District 4, (Grand Trunk western), divided into 5 divisions, in which are included three terminals in U.S.A. territory (Chicago, Detroit and Pontiac). Of the two mileage divisions, one is 347 miles and the other 688 miles.

Region "C", with an approximate mileage of 14,875, divided into 4 districts:

District 1, divided into 6 divisions, average mileage, 837

District 2, divided into 4 divisions, average mileage, 985

District 3, divided into 4 divisions, average mileage, 855

District 4, divided into 3 divisions, average mileage, 1067

Region "D", with an approximate mileage of 6,139, divided into 2 districts:

District 1, divided into 3 divisions, average mileage, 935

District 2, divided into 3 divisions, average mileage, 600

This organization is intended to replace the two organizations of the railway companies, and it may be of interest to give you a comparison between the present situation and that which it is expected will exist after unification.

The Canadian Pacific Railway is now divided, for supervisory purposes, into 2 regions, the Eastern and the Western Lines.

The Canadian National is divided into 4 regions, the Atlantic, Central, Western and Grand Trunk Western.

This means that there now exist 6 regions, as compared with 4 recommended in the estimate of savings in supervisory organization.

The two railways combined had in 1930 23 districts, each headed by a general superintendent. This compares with 13 districts in the estimate. The two railways in 1930 had 75 divisions, each headed by a superintendent, compared with 52 in the estimate.

May I point out that in the submission of the Canadian National at page 500—

Q. That is the end of Exhibit No. 9 to Exhibit No. 42.—A. They propose 3 regions, 9 districts and 50 divisions, against our proposal of 4 regions, 13 districts and 52 divisions.

Q. I think your page 500 is wrong.—A. I am sorry.

By Right Hon. Mr. Meighen:

Q. Where do the C.N.R. divisions appear at page 500?—A. At the top of page 500 is a summary.

Q. But it does not give the number of divisions in each region.

By Mr. Biggar:

Q. The divisions are on the preceding page, are they not?—A. Yes, I think that is right.

Q. They really propose dividing Canada into two regions, eastern and western, with a separate region in the United States; is not that the position?—A. Yes, sir.

Q. And you are proposing four regions?—A. The supervision of operations of a modern railway is a technical occupation, requiring experience as well as the qualities needed in all executive positions. It is a specialized occupation, carried on in much the same way in all parts of the country.

A railway superintendent is the local representative of his company in the territory under his jurisdiction; he must attend to details involved in keeping trains running, permanent way and structures in good maintenance, equipment in good order—as far as that comes under his jurisdiction—and workers efficiently employed. In addition, it is his duty to assist the Traffic Department in every way in obtaining business, and to maintain a close contact with all public authorities and private organizations in his territory as far as this is necessary in the interests of the railway company.

When these functions are fully realized, it will be seen at once that the removal of duplication of effort is comparatively easy in the case of two railways, which, as in the case of the two Canadian systems, very largely parallel each other throughout the country.

It is admitted that there are parts of Canada, as, for example, along the line of the National Transcontinental Railway from Winnipeg to Quebec, or between Edmonton and Prince Rupert, or in the British Columbia district of the Canadian Pacific Railway, where the territory is so completely left to a single railway that little duplication of Supervisory Services exist, except in the case of the more senior officers—such as vice-presidents or general managers. In general, however, throughout Canada the territory of each supervisory officer of every grade includes mileage of both railway systems.

Even in the case of the senior officers, there is some duplication of effort. For example, when an important organization of any sort wishes some improvement or other alteration of railway services, this almost invariably involves conferences with two vice-presidents or general managers, or general superintendents—one for each railway. Following usual railway practice, these officers must then consult between themselves, in order, if possible, to avoid crossing wires. A considerable saving of time and effort would result were these conferences held with only one officer. This form of wasted effort goes down through the ranks of the superintendents, each of whom finds himself frequently

[Mr. H. J. Humphrey.]

engaged in discussions with public and business interests which must be carried on by himself and his opposite number where one man could do the work more efficiently.

The suggestion for a reduction in the number of districts and divisions obviously means that each superintendent and general superintendent will have an increased mileage of railway to supervise, but it should be noted that this does not necessarily involve an addition of either responsibility or effort. The territory within which railway supervisory officers can work efficiently can only be limited by two factors. There is the distance from headquarters which experience has shown that a superintendent may go without being too far away, and there is the volume of traffic in that territory. In Canada, owing to the comparative thinness of traffic throughout the country, it is usually the actual size of the territory which is the limiting factor, and in setting up the organization which has been proposed, I am convinced that in no case will it involve the creation of a division or district in which the total volume of traffic of the two railways will be in excess of the amount which one man can handle successfully.

In planning this organization, in some cases the size of the territory allotted to one supervisory officer has been reduced, but generally this has not been the case.

The size of the territory allotted to a Supervisory Officer is, as I have said, only limited, in most cases, by the consideration of how effectively he can cover the area. In most parts of Canada the combination of two divisions or two districts into one covering the same area as either of the original ones did will not in any way add to the burdens of the Supervisory Officers. It is true that he will have more track, more buildings, and more trains to watch, but in place of having greater difficulty in covering his territory he will, in most cases, have greater efficiency.

At present, as you will realize, that important portion of the work of a Supervisory Officer which consists in travelling over his territory is made less effective than would be the case, because much of his time must be spent returning to headquarters over lines which he has already visited on his way out. Under the proposal, the combination of lines of both companies in one territory being put into a single unit of supervision will actually enable the Supervisory Officer to eliminate much of what railway men would call "deadhead travel," as he will be able to go out by one line and return by another more often than is now the case, and it is my opinion that this added efficiency will at least compensate for any added burden of responsibility and effort resulting from an increase in the mileage under one officer.

I entered railway work 43 years ago. During that time I have occupied, in both Eastern and Western Canada, the positions of Telegraph Operator, Train Despatcher, Chief Train Despatcher, Transportation Assistant, Superintendent of Transportation, Divisional Superintendent, Assistant General Superintendent, General Superintendent, Assistant to the Vice-President and now Vice-President and General Manager of Eastern Lines.

By Hon. Mr. Calder:

Q. And still young.—A. I was also a member of a committee whose duty it was to investigate every department and subsidiary of the Canadian Pacific Railway in the interests of economical operation. My experience leads me to say that the supervisory layout on which has been based the estimate of savings which will be offered you is an entirely workable one. It provides for the saving of many Supervisory Officers and staffs as a result, in many cases, of increasing the mileage under each such officer, but I am thoroughly convinced that, for the reasons I have given, there is no reason why this cannot be done.

In conclusion, may I point out that should unification be put into effect, I am quite willing to risk any reputation which I have gained as a railway operating officer on the statement that the plan of unification of Supervisory services which I have outlined to you is one which can be put into effect without detriment to the standard of railway services, and without the placing of unreasonable responsibility on the shoulders of any man.

By Mr. Biggar:

Q. Now, is there anything you want to add to that, Mr. Humphrey?—A. I do not think so, sir, except this, sir, if I may, speaking about my reference to the proposal of the Canadian National on page 478.

Q. The details are there, are they not, for both your proposal and the Canadian National proposal, which are summarized in two paragraphs in the middle of page 478?—A. Yes, sir.

Q. Under your proposal there are four regions, whereas under the Canadian National proposal there are three?—A. Yes, sir.

Q. Under your proposal there are thirteen districts, whereas under the Canadian National proposal there are eighteen?—A. Yes, sir.

Q. And finally, under your proposal there are 52 divisions, whereas under the Canadian National proposal there are 50?—A. Yes, sir.

Q. And the present position with regard to the two railways is in the last column but one in Exhibit "F" on page 421?—A. Yes, sir.

Q. So you get a reduction from the present, of one system headquarters two regional headquarters, ten district headquarters and twenty-three divisional headquarters. That is just summarized.—A. In speaking of districts, at page 478 the Canadian National submission, it would be quite possible to consolidate the eighteen districts as at present into nine.

Q. Oh, yes. I beg pardon. That is nine, not eighteen. So they are under you in both regional, district and divisional matters. I had the wrong figure.

By Hon. Mr. Moraud:

Q. Would you have any detail about the location of headquarters?—A. No, sir, that is a matter that would be determined.

Q. I do not mean the general headquarters, but the headquarters of every division?—A. That would be determined by the unified management. I have just set up mileages that would be feasible.

By Hon. Mr. Horsey:

Q. Would that deduction just extend to the managers of divisions, or would there be a placing of other officers lower in grade?—A. Oh, yes, sir. The entire staffs would be fitted into the business that would be carried on by the districts and divisions, and that would be determined on the amount of traffic and the amount of business.

By the Chairman (Right Hon. Mr. Graham):

Q. How many miles would you, as Vice-President and General Manager have under your control in the Eastern Division, is it not?—A. Yes, sir, the eastern lines. A little over 5,000, sir.

By Hon. Mr. Calder:

Q. What is the total saving?—A. I have not that, sir.

By Hon. Mr. Horsey:

Q. Have you figured out the total personnel that would have to be absorbed?—A. No, sir.

[Mr. H. J. Humphrey.]

By Hon. Mr. Hugessen:

Q. I think it would be interesting to know what the regions "A," "B," "C" and "D" are.—A. How do you mean, sir?

Q. Geographically.—A. Well, starting with "A," which starts at the Atlantic, we go west, and "D" ends at the Pacific.

Q. What are the geographical divisions more or less, generally speaking?

By Hon. Mr. Calder:

Q. They run west from "A"?—A. They run west from "A." "A" is 7,605 miles; "B," 7,975; "C," 14,875—that is on the prairies; and "D," is 6,139 miles.

By Hon. Mr. Dandurand:

Q. What is the total?—A. 36,594.

Q. So you leave aside the 5,000 miles to be abandoned?—A. Yes, sir.

By Hon. Mr. Hugessen:

Q. Where are these four regions, speaking territorially?—A. "A" would be in the Maritimes and would extend westward to Quebec; "B" would take in part of Quebec and Ontario; "C" is pretty much all in the Prairies, and "D" is beyond the Prairies.

By Right Hon. Mr. Meighen:

Q. If the abandonments were not effected, or wholly effected, would that substantially interfere with your scheme of supervisory organization?—A. I do not think so, sir, if the abandonment is not carried out. If the abandonment is spread pretty much across the country the distribution would not be material at all. It would probably mean the rearranging of mileage.

Hon. Mr. BLACK: That is the exact question I was going to ask, whether the abandonment of 5,000 miles or the abandonment of even 2,000 would make any difference in your division.

JOHN E. ARMSTRONG reappeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Armstrong, you do not need any introduction to this committee.—Thank you, sir.

Q. I understand, Mr. Armstrong, that you are prepared principally, if not exclusively, to deal with the estimate that is before us particularly with regard to maintenance of way and structures. Is that correct?—A. That is correct, Mr. Biggar.

Q. The verbal details are given at the middle of page 422, and the table that contains the figures is at the top of page 423?—A. I would like to start ahead of that, if I may, and show you where the figures are in the record.

Q. Very well.—A. On page 416 of the record there is a summary of the Canadian Pacific estimate of \$75,373,000 for economies possible by unification of the Canadian National system and the Canadian Pacific system under private management. Item No. 2 on the right-hand side of this exhibit is Decreased Railway Operating Expenses, \$64,268,000." This item is shown somewhat greater detail in the table on page 422, at the top of the page. In this table the first item is "Maintenance of Way and Structure," which shows a net saving of \$14,888,622." That is the portion of the \$64,000,000 about which I propose to speak. In the table at the top of page 423 this

particular item is developed in still greater detail. Please note that due to a printer's error the total net saving is erroneously shown in the lower right-hand corner of that table on page 423 as \$14,888,662. That should be \$14,888,622.

Q. It is \$40 out?—A. Yes.

Q. The figure ought to correspond with that in the last column of the first item in the table at the top of page 422?—A. Yes. It is the same figure. I shall give in still greater detail the derivation of the items in the last column at the top of page 423. I think you gentlemen each have now some paper that I have just had distributed. But before proceeding with the consideration of them, I may say that the text on page 422 refers to the table at the top of page 423. I think that has been pointed out before; I simply draw attention to it again. That text really should be before the figures at the top of page 423.

Now, Sir Edward Beatty in making his submission in regard to the \$75,000,000, stated, as appears at about the middle of page 582 of the proceedings:—

It is now six years since this estimate was prepared and submitted to the Royal Commission. Anticipating that it would be desirable to file with your committee copies of my statement and of the study which were submitted to the Royal Commission in 1932, they have again been scrutinized carefully by our officers. They inform me that they have found two clerical errors in the text which do not, however, affect the estimate itself. These corrections will be explained to your committee in due course.

These corrections are to be made in the text, at page 422 of the proceedings. The last item in the first column of text on page 422, dealing with reduction in train mileage, states, in the last sentence, "This saving has not been included." The word "not" is incorrect and should be deleted; the statement should be "This saving has been included." The other correction is in the first item in the right-hand column of the text, which now reads:—

While the unification will produce savings in the maintenance of yards and of structures at terminals, through the consolidation of the various facilities, the savings therefrom have not been included.

That "not," the third last word of that item, should be deleted, and in order to make that entire note read correctly it would be well to delete also the first two words of the statement, "While the," so that the statement will read:—

Unification will produce savings in the maintenance of yards and of structures at terminals, through the consolidation of the various facilities. The savings therefrom have been included.

I think that covers the corrections that Sir Edward had in mind in his statement at page 582.

Now, if I may, I should like to file as an exhibit the papers which have just been distributed to you gentlemen and which are spiked together with a metal spike. The top page, which is clipped on, is already in the evidence. Purely for the sake of convenience in handling, that first page was clipped on to the other sheets. It is a reproduction of the table at the top of page 422 in the proceedings. I think it is identical, and it appears to be, except for the printer's error in the record. I think you will find it convenient to refer to that from time to time as I speak, so it has been made separate from the other sheets for handy reference. Dealing with the sheets that are spiked together with the copper spike, the first sheet is numbered Exhibit "A" and is headed "Mileages—December 31st, 1930." A great many of the figures in the following pages depend upon this mileage statement or are derived in connection with it or from it. It seems well, therefore, to confirm this mileage, as the first step in presenting this information. The first four items Canadian Pacific Railway 15,106 miles, Canadian Pacific subsidiaries 1,510

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miles, Canadian National Railways 23,768 miles and Northern Alberta Railways 878 miles are figures appearing in the Statistics of Steam Railways of Canada 1930, as issued by the Dominion Bureau of Statistics, and they all appear on page 52 of that publication, item by item, on that page. The Canadian Pacific mileage, 15,106, appears as item No. 11. For the moment I will jump over the Canadian Pacific subsidiaries, since there are several of them. The Canadian National item is item No. 50, and the Northern Alberta Railways item is item No. 32, all on page 52 of the 1930 blue book that I have referred to. The 1,552 miles of Canadian Pacific subsidiaries include seven subsidiaries. They are the Dominion Atlantic Railway—and again the items that I am about to refer to are on page 52 of this same blue book—the Dominion Atlantic Railway, which is item 16; the Esquimalt and Nanaimo Railway, item 18; the Fredericton-Grand Lake Coal and Railway Company, item 20; the Kettle Valley Railway, item 22; the Montreal and Atlantic Railway, item 26; the New Brunswick Coal and Railway, item 30, and the Quebec Central Railway, item 36.

Document filed and marked Exhibit 58.

By Hon. Mr. Calder:

Q. These are all owned by the Canadian Pacific?—A. These are all subsidiaries of the Canadian Pacific. Some are leased and some are controlled by stock ownership and otherwise. Summing the total Canadian Pacific mileage, that is the Canadian Pacific Railway and its subsidiaries, together with the Canadian National Railways and the Northern Alberta Railways, gives a total of 41,304 miles. In that total there is a duplication of 345 miles, where one or other of these railways operates over the tracks of some other one of these railways. I can give it to you in greater detail, if you wish, but I do not know if you would be particularly interested in that.

The CHAIRMAN (Hon. Mr. Beaubien): No.

The WITNESS: There are 161·5 miles of Canadian National Railway tracks used by the C.P.R. There are 149·6 of C.P.R. tracks used by the C.N.R. There are 33·6 miles of C.N. track used by C.P.R. subsidiaries.

By Hon. Mr. Calder:

Q. That is all as of the year 1930?—A. That is all as of the year 1930.

Those three items total 344·7 miles, and are carried forward into this table of which I am speaking as 345 miles. Deducting that from the total combined load of 41,304 miles, gives 40,959 miles. This estimate of maintenance of way expenses was based on the Canadian Pacific proposal to abandon 5,013 miles of steam railway. So that deducting that 5,013 miles from the previous subtotal of 40,959, leaves 35,946 miles net railway to be maintained. I think that is all the explanation I need make on that particular sheet. If there are any questions I shall be glad at least to attempt to answer them.

By Hon. Mr. McRae:

Q. I have a question, Mr. Chairman, with respect to the schedule on page which might be applicable to this. I refer to what are called the Northern Alberta Railways and Toronto Terminals Railway. Those are operated on joint accounts at the present time, are they not?—A. Yes, sir.

Q. The Northern Alberta Railways are owned one-half by each railway?—A. Yes, sir. The same too as to the Toronto Terminals Railway.

Q. Yes. Assuming you have joint ownership and economical operation, it is not quite fair to say you would save \$76,393 by unification, because you have already unified all that?—A. I shall be glad to carry that through step by step as far as maintenance goes, bearing in mind that these are all figures prepared in 1932. These figures were based on 1930.

Q. You do not propose to abandon any of the joint Northern Alberta Railways now under joint ownership?—A. We will go very easy on that.

By Mr. Biggar:

Q. You are finished then with that first sheet of Exhibit No. 58?—A. Now if I may refer for a moment to the separate sheet that was laid aside, not a part of Exhibit No. 58.

Q. The table at the top of page 423?—A. Yes, sir. That is the table headed Exhibit H, page 423, Maintenance of Way and Structures, based on year 1930. This is the general summary sheet showing in the lower right-hand corner \$14,888,662. In the first column of that table, headed Canadian Pacific System, there is included for each of those primary maintenance items, as noted in the item column—

By Hon. Mr. Calder:

Q. Are the yards included?—A. Yes, sir.

Q. Under which of those items?—A. They come under superintendence practically under each of the items.

Q. And terminals, outside of this particular terminal, are included there as well?—A. Outside of the Toronto Terminals Railway?

Q. Yes.—A. Yes, sir.

Q. And they are spread through each of the items?—A. Yes, sir. The items of money shown in the first column headed Canadian Pacific Railway represent the Canadian Pacific Railway and its subsidiaries. An examination of Table 7, which appears on pages 74 to 81, inclusive, of the 1930 Blue Book, to which I have already referred, will disclose the derivation of the figures in that column. Similarly, an examination of the same table will disclose the derivation of the Canadian National figures shown in column 2. Column 3 cannot be quite so readily derived; in fact I do not think it can be derived from the Blue Book. The Northern Alberta Railways are in the Blue Book item by item, but the Toronto Terminals Railway is not separately included in the Blue Book, so I cannot give you direct reference to those paragraphs, but the Toronto Terminals Railway costs are thoroughly well known to the Canadian Pacific and the Canadian National and can be checked by either company at any time.

Q. You are required to furnish the statistical department with those figures?—A. Yes, sir. The fourth column on that page is the sum of the three preceding columns. It is headed, Total Combined Railways Operated Separately, and is simply the addition of the items in the first three columns. The fifth column which is headed Estimated Total Combined Railways Operated as a Unit shows the figures under the various items, which I shall develop in my further discussion. The sixth column is the difference between column 4 and column 5 the cost of separate operation and the cost of unified operation. Does that make clear the derivation of that statement?

By Mr. Biggar:

Q. Quite. Go ahead.—A. Now, my first problem is to display to you the derivation of the first item on that separate sheet. That is the net savings of \$2,492,979 under superintendence, maintenance of way.

Q. And in the last column?—A. The item in the last column, yes, sir. Superintendence includes allocations, either in whole or in part, from each of the headquarters referred to by Mr. Humphrey, the witness who just preceded me. On this page which is headed—I am speaking of the second page spiked together with a brass spike—Exhibit H, page 2 (a) superintendence, maintenance of way, based on year 1930. The first two columns display what, in 1930 were the number of office units of the various categories in existence on the

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Canadian Pacific and the maintenance of way cost attributed to them. The third column shows the number of office units in the proposed combined systems operated as a unit, and the cost which I shall endeavour to develop for you, from the Canadian Pacific figures.

Starting first with the headquarters figures, at the present time the Canadian Pacific has one headquarters, and of the headquarters' expense \$148,824 is allocated to superintendence, maintenance of way as of 1930. You will note in the remarks column of that exhibit a short statement of how the future combined expense for one headquarters is derived. It reads: Increased in proportion 16,658 miles Canadian Pacific System to 35,946 miles of combined system, less 20 per cent.

This is where the mileage comes in that I have endeavoured to explain to you on the preceding page. It starts in here and continues through the rest of the statement.

By Hon. Mr. McRae:

Q. Why do you say less 20 per cent?—A. I am just coming to that in the next sentence. I think it is generally recognized that as any business increases either in expense or in volume of product the general headquarters expense does not increase proportionately. There may be some question in regard to the opinion as to whether 20 per cent is a proper deduction from a proper mileage prorate, but I think there can be no question there should be some deduction. It may be taken at 10 per cent, 20 per cent, 30 per cent. We did select 20 per cent as being in our judgment a proper deduction.

Q. And that is the deduction arrived at?—A. Yes. The \$148,824 is proportionately up directly in accordance with the increase of the mileage, and then that figure is reduced 20 per cent. That is the arithmetic derivation of the \$256,930 in the fourth column on that page.

By Mr. Biggar:

Q. Yes.—A. In the original figures of the cost item the Canadian Pacific in 1930 had two regional organizations, and the cost of those regional organizations, \$202,176, was allocated to superintendence, maintenance of way. I do not know that I need keep repeating that "superintendence, maintenance of way." All my discussion on this sheet does refer to superintendence, maintenance of way, and nothing else.

Q. And structures, if you want to stick to the heading.—A. Yes. Now, in the outline which Mr. Humphrey gave he allowed for four regions. We have just doubled the cost of the two C.P.R. regions in arriving at the four suggested regions. Whether rightly or wrongly, that is the way we did it.

By the Chairman (Right Hon. Mr. Graham):

Q. Do you think it is right?—A. I am perfectly satisfied it is the best kind of estimate that I know how to make, sir. I do not vary from it at all.

The third item is the districts. Again in 1930 the Canadian Pacific had eight districts, and the allocated cost was \$104,000. As Mr. Humphrey explained, it is proposed that this shall be thirteen districts. Under the remarks column is stated how that figure of \$247,416 is made up. It reads: Increased in proportion to number of office units plus 46.4 per cent account increase in district mileage from average of 1,888 to average of 2,765 miles. That, you see, we have varied from the regional method. The regional method was simply carried up in direct proportion to the number of offices. Here it is carried up in proportion to the number of offices and then increased beyond that to the extent of the increased mileage made tributary to that office.

By Mr. Biggar:

Q. Will you say why there is that difference in the two?—A. That was a matter of attempting to be exceedingly conservative.

By Hon. Mr. McRae:

Q. You did not take 20 per cent credit?—A. We are getting closer to the rails every step we get down here, and the closer we get to the rails the less opportunity there is to cut as the territory expands. The regional offices are with the general superintendents, and there is only one set of offices under them, that is the divisional offices. So you are getting a good deal closer to the rails than we are in the headquarters offices.

Q. Yes?—A. Now, for the divisions, the future cost of \$1,956,725 is derived in identically the same way as for the districts. That is, the Canadian Pacific's cost for the 27 organizations, which was \$822,000 in 1930, is increased in proportion to the number of office units, and that total is increased by 23·6 per cent increase in division mileage from average of 559 to average of 691.

Q. That would cover that sheet?—A. The only thing left is to carry it over to the loose sheet. Having derived those two columns of figures, the \$1,371,601 being the Canadian Pacific cost in 1930, that appears in column 1 on the loose sheet as the amount for superintendence.

Q. Under the combined statement?—A. No, sir, in the Canadian Pacific column. The estimate of \$2,865,423 appears in the fifth column of the loose sheet. Deducting then, \$2,865,423 from the corresponding item in column 4, \$5,358,402, there is derived a net saving for superintendence, in column 6, which is \$2,492,979. That is the way that figure was derived in 1932.

By Hon. Mr. McRae:

Q. I should like to ask with regard to the maintenance. Where do you get your Canadian National figure of \$3,940,000?—A. From the blue book.

Q. So, roughly, the Canadian National had 50 per cent more mileage, and if their maintenance was on the same basis as yours, their cost should have been around \$2,000,000 instead of \$3,940,000. It must cost the Canadian National a lot more for maintenance than—

Right Hon. Mr. MEIGHEN: For superintendence.

By Hon. Mr. Moraud:

Q. It did in 1930?—A. It did in 1930.

By Hon. Mr. McRae:

Q. Because there is \$1,900,000 of the \$2,400,000 saving, if you apply the same cost per mile for superintendence on the National railway that the Canadian Pacific accounts for.

Right Hon. Mr. MEIGHEN: Perhaps they have much better superintendence.

Hon. Mr. McRAE: It is much more expensive superintendence. I think the committee would be interested in following that up and seeing how it is possible for the National Railways to spend \$1,900,000 more on superintendence.

Hon. Mr. HAIG: That was true in 1930, but it is not true now.

Hon. Mr. MORAUD: It is not true now.

Hon. Mr. BLACK: I do not think this witness can answer that.

Hon. Mr. CALDER: That is a matter of record.

[Mr. J. E. Armstrong.]

By Hon. Mr. Côté:

Q. In any event, you have taken the C.P.R. figures as a basis?—A. Yes, sir.

Q. As a basis of calculation?—A. Yes, sir. We have reason to know that we did operate a railway at that price.

By Hon. Mr. Robinson:

Q. You do not know why the C.N.R. figures are so much higher?—A. I would not undertake to say.

Hon. Mr. HUGESSEN: I have in my hand the C.N.R. Annual Report for 1937, and under maintenance of way and structures, and expenses for superintendence they still have a figure of \$2,800,000 odd.

Hon. Mr. McRAE: Which would be practically what the whole combined system would cost.

By Hon. Mr. Calder:

Q. Let me have one thing clear. These figures are taken from the blue book?—A. Yes, sir.

Q. Are you required to prepare them for the statistical department on exactly the same basis?—A. Yes, sir.

Q. What does the term "superintendence" include?—A. The supervisory allotment of cost of maintenance of way.

Q. That is simply the men; it does not include material?—A. No, it does not include material.

Q. It does not include ordinary labour?—A. No.

Q. It is the office staff?—A. Yes, supervisory—

By Hon. Mr. Robinson:

Q. Do you happen to know whether the same methods of bookkeeping are used on the two railways?—A. The methods of bookkeeping are laid down by the Board of Railway Commissioners—the method of accounting. I am not in the Accounting Department, so I may not answer in full detail; but I do know generally that the accounting practice of Canadian railways is laid down by accounting instructions issued under authority of the Board of Railway Commissioners.

Q. I have heard it said that one railroad uses the methods of the American systems, and that the other does not.—A. I think our accounting systems were at one time markedly different. Since the Board of Railway Commissioners have issued instructions, I believe the railways have no option.

By Hon. Mr. Calder:

Q. Is there any statutory requirement to give these returns?—A. I cannot answer that positively, senator. In effect, however, instructions from the Board have all the effect of a statute as far as the railways are concerned.

Q. The Board of Railway Commissioners requires them?—A. Yes, sir.

Q. And they are filed with the Board?—A. I think the instructions are issued by the Dominion Bureau of Statistics under the authority of the Board of Railway Commissioners, and we give that Bureau our returns.

Q. They go direct to the Bureau?—A. That is my understanding.

Q. Prepared on the same basis.

By Hon. Mr. Horsey:

Q. Does your figure include payments to retired officers?—A. I would be guessing if I answered that.

Right Hon. Mr. MEIGHEN: If it did in one, it would in both.

The CHAIRMAN (Hon. Mr. Beaubien): Proceed, please, Mr. Armstrong. We have a long way to go.

The WITNESS: It is not going to be as long as it looks, thank goodness.

The next is the second page of the spiked together sheets, and is numbered Exhibit "H," page 2, (b).

By Mr. Biggar:

Q. You mean it is the third sheet?—A. I beg pardon. It is the third. It is headed: "Roadway maintenance, based on year 1930."

By Right Hon. Mr. Meighen:

Q. Before you start that, would you look at the totals, Mr. Armstrong, of 19,110,000 and 33,349,000? I have done a little dividing, to make the cost per mile of the Canadian Pacific \$1.147, and of the Canadian National, \$1.430. Would those figures be correct, do you think?—A. Approximately, for those items.

Q. So the disparity between the operating costs per mile is much greater higher up in the Canadian National than it is down below?—A. That may or may not be the interpretation of those figures. I have not analysed them in that way.

Q. The disparity is the difference between \$1.147 and \$1.430, which is only 33 per cent, whereas there is 100 per cent disparity in the superintendence.—A. I am sorry I cannot attempt to explain the differences. I accept the figures as official figures.

Q. They might have a lot better men superintending than the Canadian Pacific; but they would not have better men looking after maintenance.

Hon. Mr. McRAE: They might get higher salaries.

Right Hon. Mr. MEIGHEN: That would be down below.

Hon. Mr. McRAE: But salaries would not account for it.

Right Hon. Mr. MEIGHEN: Salaries plus numbers.

By Hon. Mr. Côté:

Q. If the Canadian National officials were to give the evidence you are giving now, and were to take instead of the C.P.R. basis of cost of these different units, the C.N.R. basis, the savings would not be realized?—A. They would get a different result.

Q. So it is all in the way you look at it. If you visualize it according to their costs, there would be no saving; but if it is done according to your costs there would be a saving.—A. There might even be a loss if you ran Canadian Pacific costs up to Canadian National costs.

Hon. Mr. McRAE: They could not take the Canadian National Railways out of politics, anyway.

By Mr. Biggar:

Q. Yes?—A. We next come to Exhibit "H," page 2 (b), "Roadway maintenance based on year 1930." May I take you down a little further in these sheets before I speak of that, to Exhibit "H," page 2 (h)? The reason I speak of that page first is that the track maintenance figure appearing on the loose sheet is made up of a summation of several different items appearing on pages 2 (b), (c), (d), (e), (f), and (g). They are summarized on (h), and the totals on page (h) are carried over to the loose sheet. So for a few moments I want to be able to refer further to the loose sheet.

[Mr. J. E. Armstrong.]

By Hon. Mr. McRae:

Q. Have you dealt with track maintenance on the loose sheet?—A. Not yet. No, sir. That is the item I am about to take up now in somewhat more detail than appears on the loose sheet.

Q. You will see that that is 2 (b).—A. I am speaking of 2 (b). I will go through this particular page in some detail if I may, as several of the other pages are developed in the same way.

On the left-hand half of this page 2 (b) there appear the figures for the Canadian Pacific. On the right-hand half are the figures for the combined systems operated as a unit. Please note that on the left-hand side of this sheet, under the column headed "Miles," there are, first, three items:—

Main line—single track,	2,422.
Main line—double track,	449.
Branch line,	2,204.

That is for Eastern lines. Then there is the figure \$1,493,504.

Lower down you will find:

Main line—single track,	2,353.
Main line—double track,	968.
Branch line,	6,710.

That is under Western lines. Those six items of mileage total 15,106 miles, which is the mileage of the Canadian Pacific itself exclusive of its subsidiaries. Now we will deal with eastern lines first, that is the upper portion of the left-hand half of this sheet, page 2 (b). It is generally recognized that taking a single track main line as 100—call it 100 per cent, or 100 units; it is simply a figure for the purpose of rating the main line—a double track line will rate 180.

By Mr. Biggar:

Q. That is 80 per cent more than a single track?—A. Yes. When it comes to branch lines, there is no authoritative figure. No one can state that a branch line costs so much more than a main line. One has to use one's best judgment, based on the figures that are available as distributed between main line and branch line to develop the rating of a branch line with a main line. Our accounting practice does not set up an accounting practice for main line and for branch line. So judgment has to be used in developing a weighting figure to apply to branch lines. Our eastern lines maintenance people, to the best of their judgment, felt that on the Canadian Pacific branch lines on our eastern lines they were maintaining the branch lines at about 52 per cent of the cost of maintaining main lines. That figure cannot be substantiated anywhere; that must be a matter of judgment. And perhaps the best people to make the judgment are the people who are doing the work.

By the Chairman (Right Hon. Mr. Graham):

Q. Does that mean the same weight of rail?—A. No sir. Generally speaking, a relay rail is used on branch lines. Generally speaking, the ballast is not as deep on branch lines, and a number 2 instead of number 1 class tie is used. Branch line is down in almost every respect as compared with main line. But a figure of 52 as compared with 100 is intended to take all that into account.

Hon. Mr. CALDER: In the old days it used to be 20 per cent.

Hon. Mr. McRAE: They have raised the efficiency considerably.

Hon. Mr. HAIG: You are speaking of Saskatchewan, Senator Calder.

The WITNESS: The next step is to multiply the 2,422 miles of eastern lines, main line, single track, by the weighting figure of 100 to get the total units as it is expressed in the third column of figures there, 242,200. The double track mileage of 449 miles is multiplied by 180 to get the figure of 80,820 units.

Similarly, the 2,204 miles of branch line are multiplied by 52 to get the 114,608 units. These figures are neither miles nor anything else; they are simply units of calculation. Adding these together you get the total units for eastern lines, 437,628. Now, knowing the expense on roadway maintenance in 1930—and please do not mix roadway maintenance with maintenance in general; roadway maintenance is only a portion of the whole maintenance—knowing the expense on roadway maintenance on eastern lines, which was \$1,493,504 in 1930, and dividing that by 437,628 units, we get a cost per unit of \$3.413, as shown in the next line down. Now, without going through the details of the western lines, which are developed in identically the same way, I think I need only say that our western lines maintenance officers, to the best of their judgment, felt that western line branches were being maintained at a cost of sixty-five per cent of the cost of maintaining western main lines. You see, the western lines weighting figure is 65, as against 52 for eastern lines.

By Right Hon. Mr. Meighen:

Q. Because, I presume, the traffic on the western branch lines bears a higher proportion to the traffic on the main lines than it does in the east?—

A. Yes, sir. The figures are developed in the same way, to get for western lines a total of \$45,690 units. Knowing the western lines roadway maintenance expenses in 1930 to be \$2,039,168, and dividing that expense by the total number of units, we get a cost per unit of \$2.411. In order to develop the blue book figure to the eastern and western lines roadway maintenance dollar figures that I have mentioned, there has been added the subsidiaries dollar figure for 1930, giving the C.P.R. system, including subsidiaries, a total of \$4,017,802 for roadway maintenance. Now we go to the right-hand of that same sheet. Again we have the six mileage figures—three mileage figures for eastern lines and three for western lines. Those six mileage items total 35,946 miles, which is the mileage total developed on the first page of Exhibit 58.

By Hon. Mr. Hugessen:

Q. That is after abandoning the 5,000 miles?—A. Yes, after eliminating the 345 miles of duplicate lines, due to running rights, that is the net figure. Now, under the proposed set-up there would be, in eastern lines, 4,068 miles of single track main line, 1,551 miles of double track main lines and 10,164 miles of branch lines. Multiplying those by the units of 100, 180 and 52 respectively, for the unified system, we get a total of units for eastern lines of 1,214,508. Multiplying that total of units by the cost per unit developed on the left-hand side of the sheet, \$3.413, we get a figure of \$4,145,116. That is the derivation of that figure. For western lines, again bearing in mind that the branch line weighting figure for western lines is 65 as compared with 52 for eastern lines, and treating the western lines figures in the same way as I have just spoken of for eastern lines, we get a total roadway maintenance expense, for western lines, of \$3,845,171, or a total cost on the unified system, for roadway maintenance, of \$7,990,287. The reason why there is no addition of a subsidiaries item in the right-hand column is that the subsidiaries mileage is incorporated right into that unified system. You will note that the 35,946 miles, discussed under the unified system, is the total mileage, including subsidiaries. Have I made the derivation of that clear?

Right Hon. Mr. MEIGHEN: Yes.

By Hon. Mr. Calder:

Q. You do not take into consideration in your figures the question of deferred mileage. In taking your 1930 figure as the basis, you take the actual figures for that year, regardless of any consideration?—A. Yes, sir.

[Mr. J. E. Armstrong.]

Q. That may be dangerous.—A. But 1930 was a good year.

Q. You know what is meant by deferred maintenance. If they happen to take up a great deal of slack— —A. There would be very little reason for anything like deferred maintenance in 1930.

Q. The deferred maintenance comes afterwards?—A. Yes. From the left-hand column on page 2 (b), the figure of \$4,017,802 is carried forward as the first item in the left-hand column of Exhibit H, page 2 (h).

By Right Hon. Mr. Meighen:

Q. You are skipping some pages?—A. Yes, sir. As I explained, that page 2 (h)—

By Mr. Biggar:

Q. I think we follow it. You are coming to a figure that is back earlier, but you have got to come to it through 2 (h)?—A. Yes. 2 (h) alone is carried forward to the loose sheet to which we have been referring. These are items building up the figures to be carried forward to the loose sheet. The figure of \$7,990,287, as the cost of the unified system, is carried forward into the right-hand column on page 2 (h).

Q. That is clear.—A. Page 2 (c), which is the next page, is derived in exactly the same manner as the page I have just described, exactly in the same manner as page 2 (b), with respect to bridges, trestles and culverts, based on the year 1930.

Q. That is carried to page 2 (h), the second line?—A. Yes.

By Hon. Mr. Horsey:

Q. Is that based on the blue book reports?—A. Yes.

By Hon. Mr. Robinson:

Q. I cannot understand this. On both these pages the mileage is increased from about 16,000 to about 35,000?—A. Yes sir.

Q. But the expense is not increased in anything like the same proportion. The mileage is more than double, but the expense is not nearly doubled.

Hon. Mr. HAIG: That comes about through the branch lines item, I think.

Right Hon. Mr. MEIGHEN: Yes, because the branch lines are increased there very much, and the cost per mile is so much less for branch lines than for main lines.

Hon. Mr. ROBINSON: That must be it. But on first glance it seemed to be very strange.

The WITNESS: I think there is, perhaps, no necessity of explaining page 2 (c) any further. It is worked out in identically the same way.

Now, on page H 2 (d), which deals with ties, the development is identical down to the first two-thirds of that sheet, down to the figures \$5,215,035 and \$11,326,878, in the left and right hand sides of the sheet respectively.

By Mr. Biggar:

Q. Right.—A. Those two figures, \$5,215,035 and \$11,326,878, have not been carried forward as such on page H 2 (h). I will explain that separately in just a moment. On page H 2 (c), which is the next page—

By Hon. Mr. McRae:

Q. Just a minute. Before we get away from (d), I notice on page 2 of Exhibit H your ties are \$2,715,035, and for the combined system, \$8,826,878. Taking those totals, the Canadian National would not be very far out of line

against the Canadian Pacific figure of \$2,715,035.—A. Please do not use those figures yet. I have not explained how they are made up. I shall be able to do so more easily if we take them separately.

On page 2 (e) of Exhibit H there are two separate items of maintenance. The upper three-quarter of the sheet deals with rails, and the lower quarter with other track material. The heading is, Rails and Other Track Material, and they are handled separately on that sheet. The figures for rails are developed in the same way as heretofore and in the same way as on ties down to the figure on the left-hand side of \$1,895,414, and on the right-hand side of \$3,795,436. If you will permit me I would prefer to speak of the next item for a moment leading to the figures that are carried forward to H 2 (h). The figures for other track material are developed in exactly the same way as I have described for the preceding sheets. Those figures are carried forward directly to page H 2 (h), that for the Canadian Pacific under item (e) is \$1,203,860, and for the combined systems \$2,514,371.

Then on the next sheet, page H 2 (f), which deals with ballast, based on the year 1930. The ballast costs are developed in identically the same way, leading to the figures for the Canadian Pacific of \$618,380 and for the combined systems \$1,270,675. Those figures are carried forward directly to page H. 2 (h).

On page H 2 (g), which bears the heading, Track Laying and Surfacing, based on the year 1930, the figures for track laying and surfacing are developed again in identically the same way, leading to the figures for the C.P.R. of \$8,146,059, and for the combined systems \$17,597,564. Those figures are carried directly forward to page H 2 (h).

By the Chairman (Right Hon. Mr. Graham):

Q. Rock ballast?—A. There is getting to be more and more rock ballast now, Mr. Chairman.

Q. I suppose the expense might be somewhat higher with rock ballast than with gravel?—A. In the first instance the rock expenditure is greater than for gravel, but a substantial portion of that is chargeable to capital. After the rock ballast is in its cost of maintenance is the same and you get a better track. The first cost of gravel is less and you get no better track. You can take your choice between the two.

By Right Hon. Mr. Meighen:

Q. It must be understood, Mr. Armstrong, that your totals on page 2 (h) of all track maintenance expenses under unification you arrive at by the application of the unit costs as experienced by the C.P.R.—A. Yes, sir.

Now, may I take you backward for just a moment to page H 2 (e), and may I speak of the rail portion of that statement? I have nothing further to say about the other track materials. I wish to speak now solely about the rails and explain what that deduction is there of \$1,225,000. Section 128 of the Railway Act of 1919 reads:—

The directors may, before recommending any dividend, set aside out of the profits of the company such sums as they think proper as a reserve fund, to meet contingencies, or for equalizing dividends, or for repairing, maintaining, renewing or extending the railway or any portion thereof, and shall submit their action in regard to such reserve fund to the shareholders at a general meeting for their approval.

Under the authority of that section the Canadian Pacific in years prior to 1930 had set up a reserve fund for use, amongst other things, in the payment of the cost of rails. In the more prosperous years in the '20s we set aside certain moneys which we could draw upon as required.

[Mr. J. E. Armstrong.]

Q. I understand that, but why should it be applicable to the cost of rails? It might be for anything?—A. As a matter of fact it was a special rail account we set up in anticipation.

Q. Of further rail purchases?—A. Yes, sir.

By Hon. Mr. Calder:

Q. Renewals?—A. Yes, sir.

By Hon. Mr. McRae:

Q. Why would it be applicable to this statement of costs?—A. I will explain that.

Q. Why not take your actual expenditure for the year?—A. In 1930 we did draw on that reserve fund for \$1,225,000. Now, in that year we spent for rails \$1,895,414, as you will note about the middle left-hand side of page H 2 (e).

By Right Hon. Mr. Meighen:

Q. For rails?—A. For rails. We did not take that all out of earnings in 1930, we drew on our reserve fund for \$1,225,000, and in accordance with the requirements we reported to the statistical bureau that we had spent out of earnings that year \$670,414 for rails. The reason that figure is put in there now is not because it has any effect whatever on the savings, since the deduction of the same amount from the Canadian Pacific share of the future cost leaves the net savings identical.

Q. Sure.—A. Nevertheless that was put in there so that the figure carried forward on to H 2 (h) of \$670,414 will lead to the total of \$19,110,762, which is the figure reported in the Blue Book.

Q. I see.

By Mr. Biggar:

Q. It coincides with the Blue Book figures?—A. Yes.

Q. Without affecting the amount of the savings?—A. Yes. The deduction is from both sides, and has no effect on the savings.

Q. That is very clear.—A. Now, in ties, which is the big one from page H 2 (d), that is just a little bit more complicated to explain.

By Hon. Mr. Haig:

Q. You took off both sides.—A. We took off both sides. It has no effect on the savings, and if you are satisfied I will stop there. If you require further information I shall be glad to give it to you.

By Mr. Biggar:

Q. The purpose is to reconcile the figures with the Blue Book figures?—A. Yes, sir.

By Hon. Mr. Haig:

Q. It does not change the savings?—A. No. The difference remains a constant figure; it comes off both sides.

Now, having developed the figures on page H 2 (h), we carry them forward to the loose page, which is a copy of the statement at the top of page 423, and enter them in the second line under the side heading of track maintenance.

By Mr. Biggar:

Q. The one that corresponds with the table at page 423?—A. The \$19,110,762 appears in the Canadian Pacific column. The \$43,814,951 appears in the fifth column. The difference between the fifth and fourth column is the figure in the sixth column, which is \$9,443,565 of net savings.

By Right Hon. Mr. Meighen:

Q. The \$53,000,000 odd in the fourth column under track maintenance is from the Blue Book?—A. That is a summation of the three previous columns.

Q. Which are from the Blue Book?—A. Except the Toronto Terminals Railway.

Hon. Mr. McRAE: Mr. Chairman, might I make an observation there? The track maintenance of the Canadian Pacific is \$19,110,762, that of the Canadian National \$33,349,905. This again shows quite a wide discrepancy on a mileage basis.

Right Hon. Mr. MEIGHEN: Seventy-three.

By Hon. Mr. McRae:

Q. Seventy-four I have it, while the mileage of the Canadian National is 43 per cent—a trifle less. It looks to me that of the net saving of \$9,443,565, somewhere between \$5,000,000 and \$6,000,000 is going to come out of savings in the improved national system. Is that correct?—A. I have developed the figures in a very cold and abstract manner, I have added, subtracted and multiplied, let the figures come as they may.

Q. And I am trying to put a cold deduction on it.—A. That is your privilege, sir.

By Hon. Mr. Calder:

Q. It is in fact shown that the saving on track maintenance, \$9,000,000 on the combined systems, is greater than the saving on the abandonment of 5,000 miles of railway?—A. That, of course, includes the saving in track maintenance on the 5,000 miles.

Q. If the 5,000 miles were not abandoned—

Right Hon. Mr. MEIGHEN: That would be reduced.

By Hon. Mr. Calder:

Q. By, say, \$2,000,000?—A. By some figure. It would not be as large as that if the 5,000 miles were retained in service.

Q. Here is the point. The people of Canada have understood that the abandonment of that 5,000 miles was the whole cheese, and you show us estimated savings on track maintenance alone of \$9,000,000. That will occasion somebody surprise.

By Right Hon. Mr. Meighen:

Q. If the mileage contemplated to be abandoned were reached, even, that proportion would not be subtracted from your savings for the reason that that would necessarily be maintained on a low branch-line basis?—A. The entire cost would not be saved.

Q. It would be on a branch-line basis.

Hon. Mr. HAIG: About \$2,000,000.

Hon. Mr. CALDER: No, it would not be that.

Hon. Mr. MORAUD: All these figures are based on 1930, and the figures to-day are somewhat different from those of 1930.

[Mr. J. E. Armstrong.]

Right Hon. Mr. MEIGHEN: The percentage would not be comparable to the great spread.

The WITNESS: May we proceed to Exhibit "H", page 2 (i)?

By Mr. Biggar:

Q. Yes.—A. On page 2 (i) of Exhibit "H", again two items are covered. The first item is "Station and office buildings, based on year 1930." In this statement that weighting of track mileage does not appear. This is made on a different basis. In this case the Canadian Pacific cost of maintaining station and office buildings in 1930 was \$1,374,022. The Canadian Pacific mileage was 16,658. The cost of these buildings per mile of railway was \$82,484. That has been broken down to a straight mileage pro-rata of the cost of maintenance.

Q. Of station and office buildings?—A. Of station and office buildings. In order to develop the figures for the combined systems this unit price is multiplied by the future mileage of 35,954, giving a future cost of \$2,964,970, and again this figure is carried directly forward into the loose page.

Q. Yes?—A. Being the third item, "Station and office buildings."

By Hon. Mr. McRae:

Q. On that figure you just took the average?—A. Yes, sir.

Q. Did you take into consideration the abandonment of important buildings and stations which duplicate each other throughout the country? In Toronto, for instance, there are the two corners of King and Yonge streets.—A. The uptown office buildings of the C.P., and the C.P.R. building at King and Yonge, are not included in that maintenance. Perhaps I should make that clear. The station and office buildings referred to include those buildings used for railway purposes only—I do not know that "only" is the right word—for railway purposes. The King and Yonge street building is really a real estate venture rather than a railway venture.

Q. You have not a schedule of the real estate ventures?—A. No, sir.

By Hon. Mr. Dandurand:

Q. This covers the way stations?—A. Yes, sir.

Q. Then you eliminate the way stations along 5,000 miles?—A. That is taken account of in using the 35,946 miles of future line.

Q. Do you know what the abandonment of those stations would represent in your calculation?—A. Yes, sir. This whole estimate is based on the abandonment of the 5,000 miles.

By Mr. Biggar:

Q. The question is, can you tell us what part of the savings are represented by the abandonment of that 5,000 miles, because I think we were told by Mr. Leslie that some other witness was later going to deal with all those points?—A. Another witness will give the whole statement.

Hon. Mr. HAIG: It would be about \$421,000 if you had to keep all the other stations.

By Hon. Mr. Horsey:

Q. You are taking the same rate for the full mileage?—A. Strangely enough, in that particular year, 1930, the Canadian Pacific and Canadian National costs per mile of railway for the maintenance of station and office buildings included in this account were within a very few cents.

Q. When you united them?—A. We got a reduction in mileage that takes are of that.

Q. That is the mileage abandoned. You do not figure any savings by the joint use of these stations?—A. That has not been figured in that way.

Mr. BIGGAR: I think that comes into another calculation.

By Mr. Biggar:

Q. Right.—A. The other item on page "H" 2 (i) is that for shops and engine houses, based on year 1930, and that is developed in identically the same way as the figures for stations and office buildings, and the figures as there developed are carried over into the loose page again under "Shops and engine houses."

Right Hon. Mr. MEIGHEN: That is all right.

The WITNESS: The next page is "H" 2 (j), which deals with "Removing snow, ice and sand, based on year 1930."

By Right Hon. Mr. Meighen:

Q. Could you tell me why it would cost any more to remove snow from the sides of a double track than from the sides of a single track? You show 80 per cent more.—A. Yes, sir. You have a greater width to clear, and you have to run over the track twice. You do not move quite twice the amount of snow. That total is based on the identical basis.

Q. Is not the snow largely taken care of by your fences?—A. Where the fences are effective, the cost of snow removal is nil.

Q. That is not part of the cost of snow removal at all?—A. No; that is not snow removal, it is snow prevention.

By Hon. Mr. Calder:

Q. If snow falls on both tracks it must be removed.—A. On the just and the unjust alike.

By Mr. Biggar:

Q. This sheet is developed in the same way as the others you have referred to?—A. Yes, sir.

Q. And the figures are carried into the loose sheet?—A. Without alteration. Now, that jumps over the line on the loose sheet which is noted as "Telegraph and telephone lines." That particular item will be dealt with when the telegraph and telephone lines are dealt with. That is not taken in my discussion of railway maintenance.

By Right Hon. Mr. Meighen:

Q. That is to say, there are savings there, as you claim, but they are not included in your statement?—A. I do not claim any saving in this statement with regard to that. That will be handled by another witness.

We have covered superintendence, track maintenance, station and office buildings, and shop and engine houses. I have not dealt with telegraph and telephone lines. We have also covered the removal of snow, ice and sand. That carries us over to page "H" 2 (k).

This sheet again is developed not only in a different way from some of the others, but in different ways within itself. May I suggest that perhaps you can follow it best if you mark the items developed in one way. They are developed in three different ways on this sheet. In the net savings column, the last column, near the top there is a group of five items. Those are all developed in the same way.

[Mr. J. E. Armstrong.]

By Mr. Biggar:

Q. Let us call them all "A."—A. To the end of "Water stations."

Q. That is six.—A. It is six, but there is no saving in number one. It is that group of five items. Lower down in the sheet, jumping over the \$68,700, there is a group of two items. Those are developed in the same way.

By Right Hon. Mr. Meighen:

Q. Roadway machines and tools?—A. Yes, sir.

By Mr. Biggar:

Q. Those are in class "A," too.—A. Yes, sir.

Hon. Mr. CALDER: No, they are "B."

The WITNESS: No, they are developed in the same way as those above. In the next group of three items, the first and the third are developed in the same way.

By Mr. Biggar:

Q. They are "A."—A. The middle item is developed in another way.

Hon. Mr. CALDER: We will call that one "B."

The WITNESS: We will call that one "B," and the \$68,700 is developed in another way.

By Mr. Biggar:

Q. That will be "C."—A. "C" if you choose.

Now, the items you have marked "A" are all developed in direct proportion to the increase in mileage, using the Canadian Pacific base figure. That is, take the money figure in the first column, which is headed Canadian Pacific System, and multiply it by 215.8 per cent, which is the increase in mileage of the unified system over the Canadian Pacific system in 1930.

By Right Hon. Mr. Meighen:

Q. That is applying C.P.R. costs in each case?—A. Yes, sir.

Now, the \$68,700 figure, which, I believe, is marked "C," is made by a special study of just what signal and interlocking plants would be eliminated by the abandonment of the 5,000 miles. That is not a developed figure in the sense that the others are. It is an actual study of what the saving of maintenance would be after elimination.

Q. And without the elimination "C" would go out altogether?—A. In so far as it was not degraded in cost it might go in some items in whole; in others only in part.

By Hon. Mr. McRae:

Q. Would there not be some saving under unification independently of abandonment?—A. I do not know that there would, necessarily. Where two lines of the same railway system cross and they are a type of line that require interlocking, the fact that they are owned by one company would not permit the elimination of the interlocking plant.

Q. Take west of Portage la Prairie. Surely, if you had one system you could avoid that crossing.—A. Yes, sir.

Q. That would be elimination?—A. Yes, sir. I was thinking of crossings in the country, at high speed points.

By Mr. Biggar:

Q. But you have not taken this into account?—A. I think perhaps I have made a misstatement. They tell me the Railway Act does not require interlocking where two lines of the same company cross.

Q. At all events, you have made no allowance in those savings for the removal of interlocking devices, except where abandoned lines cross?—A. That is correct.

Q. So it would involve another step to find out how many other interlocking installations might be taken out?—A. Yes.

Q. The next item is insurance, net saving \$12,629?—A. Yes sir. The Canadian Pacific at that time was charging its insurance generally, to general expenses. That \$4,361 is not the cost of Canadian Pacific insurance or maintenance of way and structures as of 1930, but it was the only part of the cost that was charged to insurance. We were handling it in a different way, our practice has since altered. We took the Canadian National cost of insurance and took 13.7 per cent off that. The 13.7 is the percentage of Canadian National lines as of 1930 that would be abandoned if the 5,000 miles were abandoned. We assumed that no insurance would be required on abandoned lines, and therefore prorated that insurance and called that an insurance saving. We did the same with the Northern Alberta Railways, of which 5.7 of the total mileage was to be abandoned. We took 5.7 per cent off that portion of the item of \$4,946 which is the Northern Alberta, that is excluding the Toronto Terminals Railway, which is combined in that column, and took that as a saving. The difference between actual cost and estimated cost under unification was regarded as a saving of \$12,629.

By Hon. Mr. Haig:

Q. If there was no abandonment there would be no saving?—A. There would be no saving, except as developed in other ways.

By Hon. Mr. Gordon:

Q. What does the insurance cover?—A. The railways carry fire insurance and other types of insurance, very much as individuals do.

Q. Just on stations and buildings?—A. Stations and contents of station and anything of that kind.

By Hon. Mr. Robinson:

Q. But the railways do their own insuring, do they not?—A. Partly, and is partly distributed, so as to scatter the risk.

Q. They establish a fund?—A. Yes sir. As a matter of fact we have an insurance department, whose duty it is in part to carry our own insurance and in part to distribute the risk with insurance companies, as I understand it.

Q. I thought the Canadian National did all their own insurance?—A. I cannot speak as to that.

By Hon. Mr. Gordon:

Q. Is the rolling stock insured as against fire?—A. I cannot explain that. I am afraid we would have to have our insurance commissioner here to tell you about that, Senator.

Q. The premium appears to be very small.

Hon. Mr. McRAE: But they have taken only a percentage.

The WITNESS: This is only the proportion of the maintenance cost that charged to this general item. Now again that item of saving is carried direct forward into the loose sheet, and I think that is the last item on that sheet.

[Mr. J. E. Armstrong.]

The summation of the sixth column of the last sheet gives \$14,888,622. I believe I have explained the details how it is developed; but if I have not, I shall be glad to answer questions as to further details.

By Mr. Biggar:

Q. There is only one question, and that is on the point that Senator Calder raised, about deferred maintenance. I understand, for instance, that when you have to replace the rails on a given piece of line that that is part of deferred track maintenance, is it not?—A. I think there is, perhaps, some mixture of thought and understanding as to what deferred maintenance is.

Q. I thought perhaps you had better explain it.—A. When new rail is laid in a track we know we have new rail up to the time the first train runs over it. Immediately thereafter we have not new rail any more. Now, we use that rail, say, for 60 days or 90 days, and that rail is in no sense new rail, for accounting purposes; but certainly the replacement of that rail in 60 or 90 days by new rail is not deferred maintenance. Until that rail has lived its proper life no deferred maintenance actually accrues, although the rail is not as valuable for book-keeping purposes as when it was new. It is like any other item; it begins to deteriorate immediately upon use, but that can hardly be defined as deferred maintenance.

Q. But I think Senator Calder's point was with regard not only to rail but to sleepers, and that sort of thing, equipment which has to be renewed only every so many years. Was 1930, taking the system at large, a fair year to take? Was there more of that special kind of work done, or less of it done, in 1930 than in other years of equal traffic?—A. In my opinion 1930 was a fair average year to take. We had just come through the more or less hilarious 20's. We were beginning to feel the pinch a little bit. In fact, some of us thought 1930 was pretty hard times. Of course, we have changed our minds since, and we would like to get back to the standard of 1930 in our living and income, and so forth. But 1930 was not a time when the railways were accumulating deferred maintenance in the sense that that term is ordinarily used.

Q. You mean there were not outstanding renewals of those things that have to be renewed only every so many years?—A. No.

Q. So that, taking the whole 30,000 or 40,000 miles, there was an average amount of that renewal done over the whole system in 1930?—A. Yes sir. The track, in my opinion, was in normal condition in 1930.

By Hon. Mr. Robinson:

Q. May I follow that up a little? As I understand it, in the good years the railways were a little generous in their track restoration and everything else, spent more than usual on fixing up their tracks, so that when 1930 came the amount required to be expended might be pretty light?—A. I think there is nothing in that, sir. The analysis of the maintenance figures through that period does not indicate any serious change in 1930, in the cost per mile of maintenance.

Q. You think you did not benefit from the other years?—A. Maybe I can put it best in this way, that during 1920, as we all know, the railways were turning good substantial sums of money. They were building it back into the track by way of creosoted ties, heavier rail, rock ballast, heavier bridges, and so on. Now, almost every capital expenditure, in so far as it is a replacement of some facility already in existence, involves a maintenance expenditure to the extent of the value of the article replaced. That is stated very crudely; that might not be correct right down to the final details, as an accountant would express it, but that is an engineer's expression of it.

By Mr. Biggar:

Q. That is a practical way of putting it?—A. Yes sir. The railways know from experience that we have good and bad times. The railways do build up their railways more in good times than in bad times. They do live on their fat as times go down. Now, in so far as we drew on our reserve cash accounts in connection with ties and rail, as I have already explained in going through these figures, we did live on fat that we had laid aside in the form of cash in previous years. In developing the savings in cash, that drawing on the reserve cash account has been eliminated by developing the cost without regard to that. I know you will find that we have used the cost without taking account of those drawings on reserve cash.

By Hon. Mr. Robinson:

Q. I naturally thought that in good times you would spend more money on track than in bad times.—A. Yes sir, we do; the railways all do.

By Mr. Biggar:

Q. So far as concerns the track that was in good condition, you started and finished the year 1930 with about the same amount?—A. Yes sir. I think there are two other items in regard to this that the Committee has intimated from time to time by their questions that they are interested in.

By Hon. Mr. McRae:

Q. Before you get away from these schedules, reverting to the question I asked with respect to the Northern Alberta and Toronto Terminals Railways, which are jointly owned and operated by the Canadian Pacific and the Canadian National, I must say that I do not see in your schedules that there is disclosed any saving unless on page 2 (k) of Exhibit H, which is the last page. There I observe costs totalling \$64,351. And in that I note snow and sand fences and right of way fences account for \$6,615, water stations \$15,985, and crossings and signs \$4,238, signals and interlockers \$2,585, roadway machines \$4,540, small tools and supplies \$9,728, and so on. There is \$8,010 for joint maintenance of tracks and yards. What if any savings are included that come from the Northern Alberta and Toronto Terminals Railways?—A. For that there would have to be a further analysis of these figures all the way through.

Q. You would think there would be some saving?—A. Let me put it this way: we did not regard the Northern Alberta Railways as a separate property in any way, in trying to derive the earnings. We threw the mileage together. We studied the whole system on the basis of the Canadian Pacific unit costs being so much. The difference between their reported cost and the cost derived in this way is a saving. We did not try to segregate the Northern Alberta Railways or the Toronto Terminals Railways or any other railway.

Q. You have in effect got unification there now; they are not competing roads. Consequently, you are giving the minimum service, I presume, and there would not be any change under unification?—A. There would be this change, perhaps, General, that the Northern Alberta Railways are organized and operated as a separate property. They are not a part of either the Canadian Pacific or the Canadian National, although they are jointly owned; they are operated as an entirely separate organization.

Q. There would be some saving in superintendence?—A. One would expect so. I do not know just how it would come. In so far as disbanding the separate railway organizations and pooling them into the Canadian Railway Company, if I may so call it, that would show savings. There would be savings from the Northern Alberta roads.

[Mr. J. E. Armstrong.]

By Hon. Mr. Robinson:

Q. Do those C.P.R. expenses include the Soo Line?—A. No, sir.

Q. That is not taken in as part of your system?—A. Not in figuring this. It is Canadian Pacific proper, including the seven subsidiaries I have named.

By Mr. Biggar:

Q. Were you proposing to leave maintenance of way and structures?—A. No, sir. I was going to speak generally. I think your questions, Mr. Biggar, and perhaps some of the questions by the committee which I have heard, have led me to believe the committee would like to know whether there would be any reduction or increase, viewing 1930 from the standpoint of 1937 because of permanent changes in the interval. In regard to that question I would say that in my opinion there have been no permanent changes in conditions which would warrant any change in the 1930 maintenance of way and structures figure for any other year of like traffic volume. Some permanent economies have been instituted in the past six years, but these would appear to be offset, perhaps more than offset, by increased cost of maintenance of way and structures, due to increasing train speeds.

The other question that has been suggested is what variation there would be in this saving, due to a change in level of traffic, citing, I believe, 1930 as a different traffic year. In 1930 the C.P.R. cost of maintenance of way and structures was \$1,672 per mile of line. Our mileage was 16,416, and we handled 2,662 train miles per mile of line. In 1937 the C.P.R. cost of maintenance of way and structures was \$1,244 per mile of line, our mileage was 17,223, and we handled 2,188 train miles per mile of line. The reduction in maintenance of way and structures cost was approximately 25 per cent, and the reduction in train miles per mile of line was approximately 18 per cent. In my opinion maintenance of way and structures costs tend to vary with, but not directly with, the volume of traffic, rising somewhat more than the volume of traffic in good years and falling somewhat more than the volume of traffic falls in poor years. This is a natural result of anticipating maintenance requirements in good years and in using up this anticipated maintenance in poor years. Does that satisfactorily answer the general question in regard to maintenance?

Q. Yes. Now, speaking generally with regard to this maintenance of way cost, have you looked at the figure in regard to the savings on maintenance of way and structures in Exhibit No. 42 at page 487? The figure in the first column of that table at the top of the page is \$2,970,000, and it is on the basis of 931. So that if the average increase is added to it, it would probably be about \$3,-500,000.—A. I have not studied that table at all, Mr. Biggar.

Q. So you could not give any comparison?—A. I am not prepared to give a comparison of any kind.

Q. I am not in a position, as it were, to cross-examine you on anything you have said, but it may be necessary for you to come back some time. What you say now about the propriety of the basis that you have just described is that 1932 is based on 1930.—A. I think my answer to that question was given just a moment ago, Mr. Biggar, in the question before the last that I answered without being asked.

Q. That is dealing with the change between 1930 and 1937?—A. Yes.

Q. What I was really directing your attention to was this. You developed the basis upon which this was done in 1932?—A. Yes, sir.

Q. Can you suggest the possibility of any fairer basis than was then adopted?—A. No, sir. If I was making that estimate for to-day I do not know of any better way to make it.

Q. That is all I have to ask you.

By Hon. Mr. Hugessen:

Q. I have one question to ask, Mr. Chairman. As I understand your last answer but two, Mr. Armstrong, you are of the opinion that in 1937, say, you would still be able to realize out of maintenance of way and structures under unification a saving of approximately \$14,800,000?—A. No, I think not. On the basis of our actual cost in 1930 as against 1937 we were spending 25 per cent less. I do not know what the National was spending, I have made no study of that at all, I was not concerned with that. In so far as their figures were also reduced, it might be that the total saving would vary. It is not a direct percentage proposition.

By Hon. Mr. Calder:

Q. Since 1930, Mr. Armstrong, both railway companies have been economizing on their own.—A. Undoubtedly.

Q. And then in addition to that you have the result of co-operation?—A. Yes, sir.

Q. So there would be taken from this \$14,000,000 the savings that have been made by the railway companies themselves in the meantime?—A. Not entirely so, because there are economies that can be made by the railways themselves that have no effect on the economies resulting from unification. These figures are intended to set up the economies.

Q. Resulting from unification?—A. Resulting from unification.

Q. I see.—A. Not those that can be handled by either railway separately.

By Hon. Mr. McRae:

Q. Mr. Armstrong, would this be a fair question in view of these economies? Is the standard of our railways and our rails as high now in 1937 as it was in 1930?—A. I should say on the average practically so. I believe for the Canadian Pacific our chief lack is for paint on some of our wooden structures.

Q. We may judge too much by paint?—A. That is something that stands out very openly. Perhaps, Senator, you ride over the railways a good deal. Do you find in riding over the Canadian Pacific tracks that they are maintained the same as they had been before?

Q. I find both are not. I find the engines are not looked after as carefully. I do not think there is as high a standard as that which existed in 1930.—A. I wonder if you are comparing the same season of the year? I believe in every year our track is better in the fall than in the spring.

Q. I appreciate that. But I think the economies which both railways have made have resulted in lowering the standard somewhat, probably in not replacing rails and ties and that sort of thing as generously as they did in 1930.—A. The only reply I can make—perhaps it is not the proper thing to discuss before this committee, but I would argue that very seriously with you privately.

Q. I think it will apply to both roads.

By Right Hon. Mr. Meighen:

Q. Mr. Armstrong, turning to the first page, which you call the loose page, Senator Moraud has called attention to a very substantial reduction in superintendence costs and in track maintenance costs, and no doubt he could direct it to reduction in other costs, on the Canadian National since 1930. Could you make any statement as to whether reductions, due to the harder times no doubt, of a corresponding character made by the C.P.R. have been at all proportionate to the reductions mentioned by Senator Moraud as applicable to the C.N.R.?—A. I don't think I quite grasp the purport of your question, Senator.

[Mr. J. E. Armstrong.]

Q. He calls attention to a reduction in Canadian National system maintenance from \$3,940,000 to about \$2,800,000 in 1936, I think it was.

Hon. Mr. McRAE: 1937.

By Right Hon. Mr. Meighen:

Q. 1936 or 1937. Now then, would there be any corresponding reduction of maintenance on the Canadian Pacific?—A. Our figure on maintenance of way, including all the items referred to here, are down about 25 per cent in 1937 as compared with 1930.

Q. That, Mr. Armstrong, would be down about 25 per cent.

By Hon. Mr. Hugessen:

Q. I have comparable figures for the Canadian National, Senator Meighen. According to this table the Canadian National expenses in 1930 for maintenance of way and structures were \$47,900,000 approximately. In their annual report for 1937 their figure for 1936 was \$37,800,000, and for 1937 \$35,200,000. So they have had a very much larger reduction both in gross and proportionately than the Canadian National.

Hon. Mr. McRAE: In dollars, but not in percentage.

Hon. Mr. HUGESSEN: It is 47 to 35.

The WITNESS: About 25 per cent.

Hon. Mr. HUGESSEN: Roadway maintenance is down about \$500,000.

Right Hon. Mr. MEIGHEN: That is track maintenance?

Hon. Mr. HUGESSEN: I suppose so.

Right Hon. Mr. MEIGHEN: It is far more than that.

Hon. Mr. HUGESSEN: For 1936. I do not know what it is for 1930.

Right Hon. Mr. MEIGHEN: Yes. Anyway the C.N.R. is down slightly more than the C.P.R. proportionately.

The WITNESS: We are both fighting to save all we can.

Right Hon. Mr. MEIGHEN: They have a little more leeway.

The CHAIRMAN (Hon. Mr. Beaubien): The next witness is going to be lengthy, judging from what I hear on both sides of me. Perhaps we had better adjourn until eight o'clock.

Hon. Mr. ROBINSON: Do you think you had better make it eight o'clock?

Hon. Mr. DANDURAND: I have explained that the work of Parliament must go on, and I suggest that we make a special effort to advance our work.

Hon. Mr. ROBINSON: I do not think the senators would mind coming back, but how about the people who are doing all the work—the witnesses and the reporters?

Hon. Mr. DANDURAND: The witnesses are working only an hour or two each.

Hon. Mr. ROBINSON: They do not want to come back.

Hon. Mr. DANDURAND: But we must think of the work of Parliament. We have a few hours this evening, and we will have a fairly full day to-morrow.

The committee adjourned until 8 p.m.

The committee resumed at 8 p.m.

Mr. BIGGAR: Mr. W. A. Newman is the next witness.

Mr. W. A. NEWMAN was called as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. Newman, you are the Chief Mechanical Engineer of the Canadian Pacific, are you not?—A. Yes, sir.

Q. And you have been so for some ten years?—A. That is correct.

Q. And you are proposing to deal with the next of these tabular statements in Exhibit 49 "H", which follows on the summary statement at page 422 of the Proceedings?—A. Page 423.

Q. I know, but the particular item is the second in the tabular statement on page 422?—A. Correct.

Q. And the amount in question is \$14,360,414?—A. Yes, sir.

Q. And that is broken down into eight items at the lower part of page 423?—A. Yes, sir.

Q. Now, will you tell us what "equipment" means?—A. "Equipment" in this account means, in a general statement first, all rolling stock; that is everything on wheels. More specifically it means steam locomotives, freight train cars, passenger train cars, working equipment required to service the line or equipment, machinery required to repair such equipment, and the superintendence involved in supervising the repairs to the foregoing.

Q. I see.—A. Plus an item "Other" which is a miscellaneous account which I can refer to more in detail when we come to it.

Q. Taking that tabular statement, then, also part of page 423, the first two items, I presume, are, first of all in the last case, the figures taken from the routine returns made to the Bureau of Statistics?—A. Correct, sir.

Q. And the same is true with regard to the third column so far as it concerns the Northern Alberta?—A. Correct.

Q. And there has been added to that an amount which relates to the Toronto terminals, and it has been put into that column?—A. Yes, sir.

Q. And the fourth column is the total of the first three?—A. Right.

Q. And then you come to the estimate of the total for the railways as a unit and the net saving?—A. Yes, sir.

Q. Now, the first item there is "Superintendence." Do you want to deal with that in order?—A. Well, Mr. Biggar, there has been prepared and presented to the members of the committee a mimeographed statement which I propose to discuss in detail.

Q. Yes?—A. The first sheet—

Q. I have not got a copy of it.

Hon. Mr. CALDER: You are not on the committee.

Mr. BIGGAR: Quite true.

Some Hon. SENATORS: Oh, oh.

By Mr. Biggar:

Q. I see that this is prepared in the same way as the one Mr. Armstrong discussed.—A. Yes.

Q. There being one loose sheet which corresponds with the tabular statement.—A. That is correct, and that is where it was secured, except that the order in which the items appear has been changed, the reason being to present them in their relative order of importance, dealing first with the major account, and proceeding down the line as the savings become progressively less.

[Mr. W. A. Newman.]

Q. Then you have a series of pages fastened together with a fastener, which will be Exhibit No. 59.—A. That is correct, sir.

Q. Then, you want to begin with the first page of Exhibit 59, which deals with steam locomotives—repairs. That is the first item on page 433, and the first in your tabular reproduction of that statement.—A. Before referring to the details of this first page of the exhibit, I should like to say that the savings under this heading can be divided under two broad reasons or captions. First there are the savings due to the reduction in locomotive miles and train car miles, thereby reducing the use of the less efficient equipment, and consequently the need for maintaining same. The second caption or reason is the maintaining of all equipment at the Canadian Pacific Railway level of unit cost for the year 1930, and in some instances slightly below that level. That will clear the air for my references to all these pages as I come to them.

Q. What you say applies to several of these headings?—A. In general. There will be some modifications which I will explain when I come to them.

On the first sheet, at the left-hand side, you will see the total expenses for the Canadian Pacific Railway, and below that the total expenses for the maintenance of equipment of its subsidiaries. The addition of these two sums gives the total expense for the Canadian Pacific Railway System for repairing steam locomotives for the year 1930.

By the Chairman (Right Hon. Mr. Graham):

Q. Do you recommend the purchase of locomotives, or just attend to repairs?—A. This is dealing only with maintenance, not with purchases or capital figures at all. It is simply repairs.

By the Chairman (Hon. Mr. Beaubien):

Q. The total expenditure you mention is \$9,858,000?—A. Yes. \$9,858,559, for the year 1930.

Q. Yes?—A. Now, below this figure is a caption "Locomotive miles 1930," and on the left-hand side are the headings Canadian Pacific Railway Subsidiaries, Canadian National Railways, and Northern Alberta Railways; and opposite these headings, in columns under the column headings "Passenger," "Freight," "Yard," are given the mileages that were performed by the respective railways for the year 1930. The extreme right-hand column gives the total locomotive mileage that was performed by these different roads, the number being, for the Canadian Pacific, 55,821,040 miles, for the subsidiaries of the Canadian Pacific Railway, 3,656,664 miles; for the Canadian National Railways the total is 75,654,303 miles, and the Northern Alberta Railways a total of 543,854 miles.

By Hon. Mr. Calder:

Q. These are actual figures, not an estimate?—A. These are not an estimate; these are taken from the blue book that has been referred to before.

By Mr. Biggar:

Q. That is to say, these totals have not been taken from the blue book, I suppose, but the other figures have? Or have the totals also?—A. The totals not necessarily. I might explain that there is some slight adjustment in these figures due to a proportion of light locomotive miles which do not correspond to train miles. But substantially these figures are taken first from our own records, and, secondly, from the official records available for the other railways. That gives a total for all railways of passenger locomotive miles 49,444,589, freight locomotive miles 64,789,216, yard locomotive miles 21,442,056. The total for all classes of service performed by locomotives is 135,675,861 miles. Under the column headings of "Passenger," "Freight," "Yard," and "Total," and opposite the left-hand heading of "Percentage Reduction," there are percentages

given, namely, 16·2 per cent under the passenger mileage heading, 9·2 per cent under the freight mileage heading, 12·2 per cent under the yard mileage heading and 12·2 per cent under the total. These reductions are the reductions in locomotive miles arrived at by the officers responsible for the compilation of the estimated saving of mileage under unification, which they have set forth in the record at page 417, under the heading of Exhibit B, where the percentage reduction, in the last line of Exhibit B, is given as 16·2 per cent for steam train miles, this in this case applying to the reduction in passenger locomotive miles.

By Hon. Mr. Hugessen:

Q. You have not taken into account Mr. McNeillie's revised estimate, have you?—A. I am talking, as Mr. Leslie stated, to the original 1930 estimate made by the Canadian Pacific, as reviewed from the year 1932. Any adjustments that may be made, upwards or downwards, from this estimate, will be dealt with separately. Just to avoid any possible confusion we will talk to the original estimate and vary it afterwards as may be required. Similarly, for freight locomotive miles on page 418, on the last line, you will see opposite "Percentage Reduction," 9·2 per cent reduction in freight, mixed and other train miles. The reduction in yard mileage is an adjusted reduction based upon the performance of yard power in relation to the amount of freight and passenger equipment it is called upon to handle. The reduction on the total figure is arrived at by summing up the revised totals and applying them to the original total. That is not a very clear explanation, and I will just pick that up. Under the heading of Passenger Locomotive Miles, where there is given 49,444,589 miles, the percentage of reduction applying to that is 16·2 per cent; and taking that percentage from the 49,444,589 miles we secure a revised total of 41,434,566 miles. Similarly, under the column headed "Freight," applying a reduction of 9·2 per cent to the 64,789,216 miles, we secure a new revised total of 58,828,608 miles. Similarly, for yard locomotive miles, applying the reduction of 12·2 per cent we secure a reduction from 21,442,056 miles to 18,826,125 miles. Now, adding up those three last figures that I have referred to, the 41,434,566, 58,828,608 and 18,826,125, we secure a new revised total of 119,089,299 miles. And that constitutes a reduction from the total of the combination of all roads under separate maintenance from 135,675,861 miles, or 12·2 per cent, in performed locomotive miles.

Q. If I understand you rightly, the last line in the first three columns is arrived at by getting your percentage first, whereas the last line in the last column is got first and then the percentage worked back from it?—A. It comes to 12·2 per cent, when applied. That is what the reduction means. And that gives a total performed locomotive mileage of 119,089,299 miles, which it is expected would be required for the unified roads, under 1930 traffic conditions. To that mileage we applied in the upper right-hand side of this sheet the linking figure that turns it into money.

By Right Hon. Mr. Meighen:

Q. The right-hand side of what sheet?—A. This same sheet that I am talking to, page 5 (c). On the upper right-hand side we estimated for the combined systems operated as a unit, and we take the total locomotive miles, arrived at as I have described, and we apply the Canadian Pacific maintenance figure for the year 1930 of 16·75 cents per mile.

By Mr. Biggar:

Q. Will you tell us how you get at that? I think I see, but you have not referred to the left-hand column yet, with the 16·75 cents in it, have you?—A. Yes.

[Mr. W. A. Newman.]

Hon. Mr. CALDER: The left-hand column, third line.

Mr. BIGGAR: Yes, I know.

The WITNESS: In the left-hand column I simply refer to the total expenses for the Canadian Pacific Railway for maintenance of locomotives, as \$9,858,559. The explanation of how that is secured is given in the second line of that statement, where it gives the locomotive miles for the Canadian Pacific as 55,821,040 miles, and at our average cost of 16·75 cents we secure a total of \$9,350,038, to which is added our subsidiary expense, giving a total of \$9,858,559.

By Mr. Biggar:

Q. You mean you divide the \$9,350,038 into 55,821,040?—A. I am afraid I did not follow you.

Hon. Mr. ROBINSON: The other way about.

By Mr. Biggar:

Q. Yes, you divide 55,821,040 miles into \$9,350,038?—A. Yes, that is correct.

Q. And you applied that figure of 16·75 cents to these 119,089,299 miles?—A. Yes.

Q. And you have carried out the figure to the upper right-hand corner?—A. Yes.

By Hon. Mr. Calder:

Q. Is that 16·75 cents?—A. No, it is 16·75 cents, that is $16\frac{3}{4}$ cents for every locomotive mile. That is our costs of repair.

Hon. Mr. DANDURAND: That is a queer way of expressing it.

By Hon. Mr. Calder:

Q. It is \$16·75?—A. It is $16\frac{3}{4}$ cents.

Q. That point in there is the disturbing factor.—A. That is just because you are probably more used to fractions than to decimals, sir.

By Mr. Biggar:

Q. How do you carry on then? You get a total estimated cost of \$19,947,458 for maintaining the locomotives?—A. That sets up a total cost figure for maintaining locomotives under unification. Now to that we have applied a reduction of 5 per cent. We say that due to the better conditions that will obtain under unification, whereby we are able to operate the most efficient and the most modern power, to select the best shopping facilities on both railroads and to segregate our repairs by class in a way that will reduce our cost and give us a more uniform level of output under more economical conditions, that we should save 5 per cent. And we consider that 5 per cent is a very conservative figure; I can give you a very good argument for a much larger reduction, because I think that is a very good field for savings, for the possibilities are really very large. But be that as it may, we have allowed a 5 per cent reduction for the more efficient methods of repairs, which amounts to \$997,373, that being a straight 5 per cent of \$19,947,458, which deduction gives us a total expense for locomotive maintenance, under the basis of unification, for the year 1930 traffic level, of \$18,950,085. Now, it is perhaps as well to explain at this point that that figure of $16\frac{3}{4}$ cents per mile means the total expense of maintaining a locomotive. Actually we divide, for our own purposes, our costs into two headings: first, the shopping costs, which are the costs of repairing locomotives in shops; and second, the running repair costs, which are repairs performed from day to day in roundhouses and secondary shops where repairs are light,

to enable the locomotive to perform its daily task. The division is roughly 5 cents a mile for running repairs and $11\frac{3}{4}$ cents for shop repairs. Those figures do not vary much. The yard-stick has always been the cost per mile for locomotive repairs, because it is the most fixed basis of keeping a record of your costs. They do not vary in the same way as other costs do. For example, the total cost of repairing a locomotive may vary anywhere from \$6,000 to \$15,000, depending upon the extent to which you repair the individual locomotive. So that individual costs to repair a locomotive do not mean much unless you know what you did to that particular engine. Therefore the yard-stick is the locomotive mile, because it is in direct relation to the work the locomotive performs. The wear and tear the locomotive is subject to is in direct proportion to the distance it goes. Also it ties in to operating expenses where the operating expenses per mile is the yard-stick on which they operate. The figure for maintaining locomotives is almost, I might say, an unvarying one. That is, we say by good management, maintaining the index at what we know it should be, the level for fifteen years from 1937 backward is 16 cents a mile. It was 16 cents in 1925 and 16 cents in 1937. The year 1937 happened to be $\frac{3}{4}$ of a cent up; it was slightly above the level.

Q. But the variation above and below that level is very slight?—A. Yes. For a number of years prior to 1930 it ran along to 16 cents, with very, very slight variations above and below. It is our job to maintain it at that level. If you like, the mechanical department can be considered as a contract shop, with no connection with the railway, except that we contract to repair equipment at a certain cost level. That is our function.

By Hon. Mr. Buchanan:

Q. There is hardly any variation at all between a heavy and a comparatively light year?—A. No variation to any extent.

By Hon. Mr. Calder:

Q. You have your figures on that covering a long period of years?—A. Yes, sir.

Q. And you think the same yard-stick can be applied to the other lines under unification?—A. Yes, sir. The Canadian Pacific Railway mechanical department is not an individual; it is a long train of individuals going back for over forty years. It has been constructively built up upon the knowledge and experience of succeeding officers. Our shops and our facilities are co-ordinated. We have carried on over a long period to the extent that we know what equipment operating under conditions in Canada can be maintained at.

Q. You think there is no possibility of an error in those figures?—A. So far as any possibility of error is concerned, our own figures are open to supervision and our own records speak for themselves, sir. Under unification we consider we would have a much better opportunity of realizing such figures and substantially decreasing them. There are possibilities in the maintenance of locomotives that we cannot avail ourselves of as a separate road because of the amount of repairs that we perform are in direct relation to the mileages that are performed in service. We have to cut our cloth just to suit the amount of mileage performed by the operating department.

Q. For steam locomotives your repair cost is \$9,858,559 and the Canadian National \$16,766,541?—A. Yes, sir.

Q. They have in the neighbourhood of 50 per cent more mileage, but their cost is relatively above yours?—A. Yes, sir, considerably.

[Mr. W. A. Newman.]

By Hon. Mr. McRae:

Q. Colonel Biggar, before we leave this page 5 (c), referring to the decrease unit cost on account of higher and more modern power, also to the use of efficient shops, a deduction is made here of \$997,000 odd. I can understand that the shop might make that much less profit. But it is obvious that this modern power and the use of the best shops redounds to the increased profits as a whole, and I should like to ascertain where credit is taken for this sum deducted here in the other calculations making up the \$75,000,000. It is obvious that by the use of the best shops, higher power, which requires less repairs, then unification must make more money.—A. It is included right here, sir.

Q. But it is deducted.—A. No, that is a saving.

Q. Oh, yes.

Mr. BIGGAR: It is allowed for in the saving.

By Right Hon. Mr. Meighen:

Q. I notice in the next schedule you do make a similar saving in freight train car repairs, but when you come to passenger car repairs you do not.—A. I should like to refer to that in order, if you will, Senator?

Q. Yes.

By Mr. Biggar:

Q. Can we go on to the next sheet?—A. No. There are one or two little points that I have heard rumours of as I have been listening to this evidence, and possibly they should be enlarged on.

Q. Very good. This is the time to do it.—A. In the first place, it was implied by a senator that the Canadian National costs were considerably higher. I do not think it is quite fair to pass that by without saying something, because the Canadian National do not operate under the same conditions that we do. We have had continuous operation of a co-ordinated system running back forty years. They inherited the shops of four different railroads and started in comparatively recently, and it is more or less natural that they should not have attained the same efficiency. And it is that greater efficiency that the combined equipment under unification would receive. I think that statement is only just and should be made.

By Right Hon. Mr. Meighen:

Q. You won't be so efficient either after you absorb the other railway.—A. Possibly I leave myself open to that question. But the point is just this, sir, that our equipment as a whole will be a better inventory of equipment under unification, because we will have the best of the two rather than simply what we have now, which contains a proportion, if you like, of less desirable equipment.

Q. That applied to them before.—A. It did; but under unification we will be able to dispense with a considerable number of units.

Q. But they had unification also of three systems.—A. They did of three or four systems, and they had to use the facilities of those systems as they found them. We ourselves created ours as one complete co-ordinated unit across the continent to suit our own conditions.

Q. I know; and when you get them you will have to follow the same operation.—A. We would use the best of both. Mr. Pyne in his statement said, for example, that the Canadian National shop at Point St. Charles is a very fine one, which it is. Neither railroad has the facilities to maintain all the equipment under unification, and it is necessary to use the best of both. In doing so you have an opportunity of segregating the class of repairs that neither railroad has by itself.

Q. I agree with you. But that is not the point I was raising. What mean is, you cannot say that the Canadian National suffer a disability because of a unification with two other railways, where you are going to get an advantage by the same experience.—A. I am afraid I do not get you.

Q. You say the Canadian National suffered disability affecting their efficiency and their economical operations in respect of these shops by absorbing two other systems into their own, the old Canadian Northern, then the Grand Trunk came in, and the Grand Trunk Pacific. You say it was difficult to attain the same efficiency because of the absorptive process.—A. I said they did not have the same opportunity to attain the same efficiency.

Q. How are you to attain that efficiency when you go through the same process?—A. We have a basis on which to maintain our costs.

Q. Don't you think they had before they took over the Grand Trunk? They had a very efficient system.—A. They may have had, but they did not have one quite as efficient as our own.

Q. At least, they did not keep it up.

By Hon. Mr. Black:

Q. When they amalgamated those three roads one may have been efficient and the other less efficient and the third still less efficient both in rolling stock and mechanical appliances for repairs, and that kind of thing. Is it not true at the present time that the Canadian National after the amalgamation has a more efficient shop system now than any one of the three roads had at the time of amalgamation? Therefore these two roads are in better shape to-day to come together than were the three roads that now form the present Canadian National system?—A. That is true; but there is also another angle to it too that I did not intend to refer to, but nevertheless it might clear the air. That is the Canadian Pacific methods of repairing equipment have been somewhat unique on this continent in that we do not follow the general system or policies followed by the roads in the United States. The Grand Trunk in particular leaned more towards United States policies than Canadian Pacific policies. As was natural, there are more examples on this continent of one method of repairing locomotives than there is of the Canadian Pacific. If you like, we have always followed our own path, and have not followed the lead of the other roads. We are quite satisfied to continue on our path because our efficiency and our costs are lower than any road on this continent.

By Mr. Biggar:

Q. You do not mean that both efficiency and costs are lower?—A. Our efficiency is higher and our costs are lower. Thank you for the correction, Mr. Biggar.

Q. Does that cover the first of your two points?—A. Yes.

Q. Then you wanted to make a second remark.—A. There is the question that was raised—I do not know whether it was even raised, but at least I inferred from the remarks made that the larger locomotives were the more they cost to repair, and that if we used a greater proportion of larger locomotives under unification would not our costs rise. Well, that point has considerable truth in it because the larger a locomotive is it does cost us more to repair. But that is not the real yard-stick that we should apply in arriving at maintenance cost; it is the locomotive mile. It is the more modern power and the larger power that is utilized to the greatest extent, and we find that with our larger and our better power, which goes out and performs astonishing mileages to the extent that they are shopped about every thirteen or fourteen months, that the actual costs per mile are on the shop basis better than for the older equipment. There is no need to fear that as the equipment rises in average size, as long as we can utilize it, that the cost cannot be maintained, because it can be.

[Mr. W. A. Newman.]

Another point, Mr. Biggar, I feel I must refer to on locomotives was one made by Sir Edward Beatty in his remarks with regard to obsolescence of power. I believe that a remark from me might be welcome in clarifying that question. I may say that a locomotive is only obsolete when it is no longer economical to maintain or operate it, that age has very little to do with it.

To illustrate, nearly every part of a locomotive is replaceable as it performs its function or service, and when it is shopped, if it requires renewal it is renewed. That even applies to boilers. And to show how misleading average age figures can be, the average age of the Canadian Pacific locomotives is apparently quite high when you look at it as a cold figure. The ages of locomotives always have reference to the date of birth; when they were built. One group of locomotives we have, consisting of over 400 locomotives, were what we call modernized. Starting in 1923 they received new frames, new cylinders, new valve actions, new super-heaters; many of them received new tenders through shifts down the line, and they are now receiving new boilers with the boiler pressure considerably increased. Those locomotives should more properly bear the age of 7 or 8 or 9 years than the age carried in our records of about 30 years, or, it would be fairer to say, 25 years.

Q. There are comparatively few parts more than 7 or 8 years old.

The CHAIRMAN (Hon. Mr. Beaubien): They are re-born.

The WITNESS: You might call it a re-birth. But in our figures they still carry the date when they were built. So figures themselves are rather misleading when you refer to average age, and the locomotive is only obsolete when it is no longer economical to maintain it.

By Hon. Mr. Coté:

Q. It is only as old as it feels.—A. There is pretty good evidence here that age does not mean obsolescence.

By Hon. Mr. McRae:

Q. But surely there must be natural wear and obsolescence in this equipment, as there is in any other kind.—A. There is, but as parts wear out they are replaced.

Q. If you are going to keep rebuilding them, I will agree that they are going to run a long time; but they are pretty old just the same, and most equipment is improved as years go on.—A. I do not quite agree with you.

By Hon. Mr. Calder:

Q: Is there always room for these old engines?—A. You have made a statement, Senator Calder, that is very pertinent. I can translate it into these terms. It may be rather startling. That is, that the more new and modern power you have, the greater the need you have for older locomotives with them. The reason for that is that a locomotive of 1910 or 1911, say, cost a certain amount, say \$20,000, which is reasonably accurate. To-day a locomotive of the most modern type of the same tractive effort or ability to haul trains costs \$100,000, or five times as much. Here is the point—

By Hon. Mr. Horsey:

Q. Have parts gone up as much?—A. No. Actually the average cost of material is a little over twice as much; but it is the efficiency devices and appurtenances that have raised the cost level. Here is the point. You buy an expensive engine. It has in it a very high level of potential service and economy. You send it out to perform, and as long as you can keep it operating to its maximum capacity and extent it is going to return substantial savings; but the minute that stops you have an expensive horse in the stable. Therefore

your reserve power should be held in reserve, and out on the branch lines, and should be as low in capital cost as possible. That explains why we do not like to let engines grow so old that we want to scrap them. We want to keep them going. And there is no very great loss in efficiency. One of the finest records we have under test was performed by a locomotive over 20 years of age, and which had been converted as I describe.

By Hon. Mr. Calder:

Q. You keep a record of those tests.—A. Yes, sir.

By Mr. Biggar:

Q. Will you look at page 572. On that page Mr. Beatty spoke about 50 new locomotives, and it was suggested that that was really a slip by him, or in the notes, and that it should have been 15—A. That is correct. We built 50 locomotives last year.

By Hon. Mr. McRae:

Q. New locomotives?—A. New locomotives. Fifty, in the year 1937.

By Hon. Mr. Calder:

Q. Did you build them yourselves?—A. No, they were purchased.

By Hon. Mr. McRae:

Q. What happened the old ones that were so good when traffic was getting less?—A. That does not apply to all locomotives. In every large collection of units there are many that it is not desirable to retain. We have several earmarked as they become ready for substantial repairs; but we have a substantial number and the Canadian National have a substantial number that can be maintained.

By Mr. Biggar:

Q. Does that complete that page?—A. Yes, sir.

Q. Then, page 5 (d), freight train cars.

Hon. Mr. HAIG: We can see that, Mr. Chairman.

Right Hon. Mr. MEIGHEN: That is very clear.

Mr. BIGGAR: Does the committee think it is unnecessary to go through that? The basis, I gather, is the same as the last.

The WITNESS: Yes, sir.

By Mr. Biggar:

Q. You have taken the cost per mile on the Canadian Pacific and applied it to the additional freight train mileage, arriving at that from the same schedule as you did in the case of locomotive miles?—A. That is right, sir.

Q. Now, before we leave this I might call attention to the fact that the figure of \$18,950,085 on page 5 (c) is carried into the last column but one of the loose sheet, on page 423 of the Proceedings; and the same is true of the \$22,975,859 on page 5 (d)?—A. That is correct. The total cost of \$18,950,085 for locomotives is carried over as an estimated cost for the unified system for the year 1930, and is given in the second to last column on the loose sheet, and that is subtracted from the amount in the preceding column, which gives the cost of locomotive repairs for the combined roads, which gives a net saving of \$7,765,015.

[Mr. W. A. Newman.]

By Hon. Mr. Hugessen:

Q. You said the Canadian Pacific adopted its own system with respect to locomotive repairs and so on. Does that apply to your method of calculating costs?—A. No, sir.

Q. These figures are strictly comparable, are they?—A. Yes, sir, they are strictly comparable.

Q. By your own methods, you mean?—A. All that we do is to take the total expense and set up the total expense of the combined system, and deduct the expenses which were arrived at from our own basis. But there is no element in difference of figuring.

By Right Hon. Mr. Meighen:

Q. Does this special system that you have in the matter of locomotive repairs extend to car repairs also?—A. Not to the same extent. It cannot. The reason for that is that the bases for freight car repairs are pretty well set up by the American Association of Railways. The parts—the axles, the bearings, the wheels and couplers—are all standard on all roads throughout the continent, and our cars may be repaired on other lines, and theirs on ours, and counter charges made. The system of repairs is practically the same all over the continent.

Q. And the costs?—A. The costs are about on the same basis. We figure that we are a little bit lower in some cases; but in general there is not the same difference as there is in a group of locomotive repairs which is all within our own hands.

Now, cleaning up page 5 (d) which refers to freight train car repairs—

Mr. BIGGAR: I think the committee is satisfied.

Right Hon. Mr. MEIGHEN: Except that there is no 5 per cent.

The WITNESS: In this account there is a 5 per cent decrease in unit cost on account of greater efficiency, and we arrive at a total expense for maintaining freight equipment under the unification basis, of \$22,975,859. That is on page 5 (d), and that is transferred to the loose sheet.

By Hon. Mr. Calder:

Q. You do not show your 5 per cent here.—A. Yes, sir. If you look at page 5 (d)—

By Hon. Mr. Hugessen:

Q. You have not got the figure of 5 per cent there.—A. It is "Decrease in unit costs account higher percentage of modern steel freight car equipment available and use of most efficient shops, \$1,209,256." That is 5 per cent.

Q. Oh, that is the 5 per cent?—A. That is the 5 per cent.

By Mr. Biggar:

Q. Then we come to page 5 (e). I observe that is calculated in exactly the same way, and that there is no 5 per cent.

By Hon. Mr. Haig:

Q. Why do you not take the 5 per cent off here? That is all I want to know.—A. At the time this was reviewed it was considered that the possibilities were probably not as great to make savings on passenger cars, due to the considerable variation in the standard of cars—rear end cars as compared to front end cars—and therefore no savings were estimated over and above the actual cost on the Canadian Pacific unit cost level for the year 1930.

Actually reviewing it on what has passed since the time this estimate was prepared in 1932, it is quite obvious to us that we did not take sufficient cognizance of the fact that there was a large field for savings, and that there is a very good possibility of making additional savings in the repair of passenger train cars.

By the Chairman (Right Hon. Mr. Graham):

Q. There is a good deal of competition, of course, in regard to the standard of the looks of the car to begin with. I can see where this figure of what you will save on a car will change when some other pattern of car presents itself that you think you ought to have, and which may be much more expensive than what we old chaps call the "old reliables."—A. Well, as Mr. Pyne mentioned in his evidence, we shop passenger cars on appearance and condition—on appearance because, as you say, the appearance of the exterior or the interior may not be up to the competitive standards; and on condition, when mechanical condition requires shopping. Actually it works out pretty uniformly on the most used passenger equipment to certain periods. Roughly there is an average of two years, although that may vary considerably. And translated into costs per mile there is that same uniform basis that I described for locomotives; there is not a very great variation, although the fluctuation is more than it is for locomotives. Some years you may have a higher percentage of rear-end cars in, which will affect your unit costs. There is no expectation of any great change above or below our unit level for maintenance of passenger cars, except in so far as added equipment is concerned. By that I mean such things as air conditioning. That has added considerably to the cost of a car, and undoubtedly there will be a higher maintenance figure that we will have to look for in future, which will apply to practically all roads. We do not expect, though, that that variation will be very great; it should not be more than within a range of 5 per cent over our present levels.

By Hon. Mr. Calder:

Q. What percentage of cars goes to the scrap heap each year, I mean that are done?—A. That depends entirely on the condition. I have not got it in a percentage, sir.

Q. Roughly?—A. I would say approximately fifty cars a year, out of our total inventory of 3,000 in round figures. That is passenger cars only that we are discussing, of course.

Q. I am speaking of passenger cars.—A. Passenger cars, of course, can be divided generally into two classes: steel equipment and wooden superstructure. The wooden cars are our reserve troops, and the steel cars are our shock troops. All of our more important services are taken care of by steel equipment.

Q. You are compelled to buy a certain number of cars each year, or periodically, to replace ones that are not so serviceable?—A. That is correct.

Q. And they pass down the line to the inferior services?—A. That is correct.

Q. And at the end of the line there are so many that go to scrap?—A. In general that is a fairly good explanation of the way that it occurs. Actually it is the extent that the equipment is used that determines it. If our older equipment is not used as intensively as our better equipment, its life may be prolonged. You will understand that.

By Mr. Biggar:

Q. Now, Mr. Newman, we get on to page 5 (f) of the sheet.—A. It is suggested to me that possibly I was not specific enough in referring to rear-end and front-end cars. In case there is any doubt about it I may say that front-end cars are baggage cars, rail cars, express cars and coaches. Rear-end cars are dining cars, parlour cars, sleeping cars and similar equipment.

[Mr. W. A. Newman.]

By the Chairman (Right Hon. Mr. Graham):

Q. Fancy equipment?—A. They are the de luxe equipment, if you like. Another point that General McRae spoke about, and I did not answer him fully on, is that some of our passenger cars, instead of disappearing to the scrap heap, disappear as boarding cars and are used for work.

By Hon. Mr. Buchanan:

Q. Under unification would you not be using more steel cars than at present? Would that not make possible more savings in repairs?—A. That is true, that we expect we would have the advantage of using more rounded-out equipment, which would be steel equipment, on both roads, and that would assist to some extent.

Q. It would help to reduce your repair costs?—A. Yes, because the steel equipment is not subject to the deterioration that wood equipment is, and it maintains itself in better condition.

By Mr. Biggar:

Q. Then we go on to page 5 (f). That is a slightly different basis, is it not?—A. Page 5 (f) is work equipment repairs. Work equipment includes, as I said before, everything necessary to service the line or the rolling stock. For instance, it includes such trains as wrecking trains and auxiliaries, pile drivers, steam shovels—

By Hon. Mr. Calder:

Q. Any flat cars?—A. No, except such flat cars as may be used as auxiliaries behind a wrecking train. It includes ballast cars that are used in company operations, snowploughs, ballast spreaders, and all equipment of that nature that is necessary to service a railway.

Q. Not used for freight or passengers?—A. No, that is not used for revenue at all and only for service facilities. Boarding cars come under it. In general, it is non-revenue equipment that runs on wheels. That describes it in a general way. Work equipment is more directly related to miles of railway than to such units as train miles or locomotive miles or car miles. That is, it is required to serve territory, in the maintenance of that territory in track, or to take care of rolling stock as may be required; and therefore in this saving it has been related directly to the mileage that we would have under unified conditions, as of the year 1930. That is, the figures on the left-hand side of the statement, page 5 (f), give the total cost of maintaining work equipment on the Canadian Pacific for the year 1930 for 15,106 miles of road at the cost of \$55.41 per mile of road. That is the way it works out. Applying that cost of \$55.41 to the mileage that would be worked, under unification, of 35,946 miles, we get a total cost of maintaining work equipment, under unification, of \$1,991,768. And that is the figure that has been transferred to the summary sheet for deduction from the combined cost of maintaining work equipment for the separate roads, and is transferred in the last column into a saving. Now, there is no allowance for better efficiency in maintaining work equipment—

By Right Hon. Mr. Meighen:

Q. You should have better efficiency, because your density of mileage would be greater?—A. There will be a considerable improvement in the standard of work equipment by using the best equipment of the two roads. Auxiliary equipment and work equipment located in certain sections will serve a much more extended mileage, because there is duplication at the present time. And there is quite a bit to be expected from savings on this account. But we have not taken it into account in any way in our estimated savings.

By Hon. Mr. Calder:

Q. With regard to that saving of \$55.41, I assume that that is based on a record?—A. Yes, sir.

Q. And have you taken into consideration a period of years, or just the one year 1930?—A. These figures are based upon the Canadian Pacific unit cost levels for the year 1930.

Q. But in one case you told me that you had the records for so many years, with regard to locomotives, and that the variation from year to year was practically nil?—A. In this case we have the records as well; we have them for all our repair costs.

Q. Would your record from year to year vary very much from this \$55.41?—A. There has been almost a continuous decline in the cost of maintaining work equipment. The reason for that is that the standard of efficiency—or, let me express it this way, that the standard of work equipment is better progressively. There has been work equipment purchased of a much better class and kind and construction, and that has had a very great effect in reducing our costs.

By Right Hon. Mr. Meighen:

Q. Furthermore, with better equipment your accidents are fewer, and the use of your work equipment is less?—A. That is true. That is a corollary that follows.

By Mr. Biggar:

Q. Now we come to the next sheet, page 5 (b). That 5 (b) ought to be 5 (g), ought it not?—A. The next one that I have in order here is Exhibit H, page 5 (b).

Q. Is 5 (b) right?—A. Yes, sir. This has been rearranged, as I pointed out, because I gave them in more logical sequence, rather than following them in the way they appear in the record.

Q. Perhaps you might explain about shop machinery, which is what this page deals with.—A. First let me explain that this account, Shop Machinery, is the cost of maintaining the machinery that is used to repair equipment. The expense in maintaining or repairing such machinery is in relation to the extent to which it is used, and the extent to which it is used is in turn in proportion to the equipment that is shopped, which in turn is tied up to mileage, that is the mileage performed by the various classes of equipment. Now, in explaining this, on the left-hand side under the column headed "Canadian Pacific Railway" is given the total expense for maintaining shop machinery for the year 1930, \$1,306,630. This has been split up, in the ratio of 44.4 per cent for machinery used in maintaining locomotives and 55.6 per cent for machinery used in maintaining cars. And that proportion of 44.4 to 55.6 per cent results in the division in dollars of \$580,144 for locomotive machinery repairs and \$726,486 for repairs to car machinery. Now, it is also necessary to further subdivide the car machinery account so as to get the correct proportion of passenger train cars and freight train cars machinery, and that has been done on a mileage basis, as being a fairly accurate method of arriving at the division; and results in a further division of the item of \$726,486 into a freight car shop machinery repair account of \$610,975, and passenger car shop machinery repair account of \$115,511. In the second column headed Total Combined Systems Operated Separately, is the combined cost of maintaining the machinery on the two railways.

By Right Hon. Mr. Meighen:

Q. That is the fourth column.—A. In the fourth column is the percentage reduction on performed car miles. The first one is 12.2 per cent. Under unification the locomotive mileage is reduced 12.2 per cent.

[Mr. W. A. Newman.]

Q. And therefore the cost of maintaining the machinery?—A. And therefore the machinery will not be used in the same proportion.

Q. Why is it there is no reduction in the car mile basis?—A. There is, sir, the 3·3 per cent directly underneath the 12·2 per cent. That is applied to the freight car shop machinery and to the passenger car shop machinery.

By Mr. Biggar:

Q. You have the three separate percentages to apply?—A. And those are applied to the three separate classifications of machinery, and are definitely related to the mileage basis of locomotive, freight train and passenger train car miles.

Q. They are the same percentages as are referred to before?—A. Yes, that is correct. In the last column these reductions are applied to the combined cost of the two systems, allowing the compilation of a total cost of maintaining shop machinery under unification as of the year 1930, and that, in turn, is transferred to your summary sheet and gives the saving of \$233,783 for shop machinery repairs.

By Right Hon. Mr. Meighen:

Q. Do both railways maintain and keep repairs of their own machinery to take care of equipment right through the piece?—A. You mean it is not sent out to any other shop to be done?

Q. Yes.—A. In general, yes. There may be some special odd pieces of equipment sent out, but in general it is all done by the shops themselves.

By Mr. Biggar:

Q. May we go on to page 5 (a) superintendence maintenance?—A. Now, in talking to the question of superintendence of maintenance and equipment, I refer to the remarks that Mr. Humphrey made, in which he set up the basis on which the supervisory organization was arrived at for unification, as reviewed by the officers responsible for setting it up when the question of unification was reviewed.

Q. Exactly.—A. The headquarters expense is taken on the left-hand side for the Canadian Pacific and shows a total of \$165,402 for the year 1930. That expense was increased in proportion to the mileage that we would work to under unification. That is in the ratio of 16,658 miles for the Canadian Pacific system alone to 35,946 miles for the combined roads under unification.

Right Hon. Mr. MEIGHEN: Why should it be increased?

By Mr. Biggar:

Q. He takes 20 per cent off.—A. The last words of the explanation on the right-hand side are "less 20 per cent." Twenty per cent is deducted from that combined expense for the more efficient operation of the roads under the possibilities that will be encountered under unification.

Q. For the same reasons Mr. Armstrong gave us this morning in reference to maintenance of way?—A. Yes, sir.

By Hon. Mr. Calder:

Q. And that is a rough estimate; it might be 10 per cent or 30 per cent.—A. Yes. In our opinion that was a reasonable basis on which to estimate the headquarters expense under unification.

By Mr. Biggar:

Q. The next item?—A. Refers to the Angus shops of the Canadian Pacific. In our system of accounting the Angus shops are carried under a separate account. That is, all other shops in the system come under the general expense of regions

or districts and divisions; but the Angus shops being very large are dealt with as an entity, and consequently, as it appeared that way in our figures, we have dealt with them in that way in our summary.

Q. Quite so.—A. And as we expected under unification we would be able to work to better advantage in what you might call mass production of repairs, we considered some increase should be made in superintendence and we increased our account by 10 per cent.

Q. Doing more work you increased your charge for superintendence by 10 per cent.—A. That is correct.

Q. Now, the third item.—A. It deals with regions and, as Mr. Humphrey explained, it was considered that the two regions which now exist in the Canadian Pacific, lines east and lines west, would under unified management become four regions. Therefore we have simply doubled the Canadian Pacific expense.

Q. Per region.—A. And it becomes simply \$261,184. \$130,592 appears for the Canadian Pacific Railway expenses alone for the year 1930.

Q. I think you have applied to the fourth element, districts and divisions, the same increase as Mr. Armstrong made with regard to the maintenance of way, have you not?—A. I am not sure the figure is the same. I think it is slightly different. The basis of compiling the expenditure under unification as of the year 1930 for districts and divisions is in the proportion of 52 to 27 as applied to the Canadian Pacific expense of \$300,368 for the year 1930, plus an increase of 23.6 per cent. The reason for that increase is that there would be an increase in the mileage in the new divisions that would be set up, and therefore the supervision should be increased in proportion to the mileage under which officers would be required to supervise.

Q. Yes. Mr. Armstrong used exactly the same figures.—A. It is exactly on the same basis. I was not sure whether it applied differently to the maintenance of way than to the maintenance of equipment.

Q. What about the last sheet (g)?—A. I am not quite finished. I should like to make my story complete.

Q. Yes.—A. The subsidiaries that appear in our figure were not changed in any way at all. They were simply left as they stood.

Q. They do not enter into the savings figure at all.—A. No. The total expense under unification as of the year 1930 is \$1,305,174. This was carried over to the general summary in the second but last column, subtracted from the combined cost of the two roads operated separately, and appears as \$1,410,754.

By Hon. Mr. Calder:

Q. There must be something wrong with those figures as I see them here. The cost now is \$2,715,000, and you estimate that that total service can be made for \$1,305,174.—A. Yes, sir.

Q. What in the world is wrong there?—A. That is best explained by going a little bit further to the left on that same line of figures, where under superintendence the Canadian Pacific total expense for the year 1930 of the entire system—but, remember, this is only as applied to the maintenance of equipment, that is, only officers having supervision over equipment—is \$696,432.

By Hon. Mr. McRae:

Q. And the Blue Book for the Canadian National was \$2,009,670?—A. Yes, sir.

By Hon. Mr. Calder:

Q. It must have been figured on a different basis.

Hon. Mr. McRAE: As a matter of fact, the net figure of \$1,305,000 is some \$700,000 less than the cost of the Canadian National alone.

[Mr. W. A. Newman.]

By the Chairman (Hon. Mr. Beaubien):

Q. It is twice what it cost the C.P.R.—A. All I can say to that, sir, is that the \$696,432 is the accurate figure for operating the Canadian Pacific Railway system for the year 1930 as regards the superintendence in the maintenance of equipment account.

By Hon. Mr. Calder:

Q. The other figure is simply taken from the Blue Book.—A. I cannot answer for that. I know we do it for that on the Canadian Pacific Railway, and that is a fair charge in relation to our records, which you have referred to previously, in preceding years, and that we consider that that same basis can be applied to a unified system.

Q. They probably included something else.

Right Hon. Mr. MEIGHEN: You will have an awful job explaining it.

By Hon. Mr. Robinson:

Q. In regard to new equipment on the C.P.R., do you charge it to this or to capital?—A. New equipment does not appear in this statement at all.

Q. I think that is the difference.—A. But that has nothing to do with equipment. That is only superintendence expenses, the officers in charge. It has nothing whatever to do with equipment. It is only supervisory figures.

By Hon. Mr. Buchanan:

Q. You have your main shops at Angus. Where do the other shops like Winnipeg and Calgary appear?—A. I did mention that all other shops are included in the districts and divisions, sir.

Q. Why treat the Angus shops differently?—A. I explained that the reason we treated that as a separate account is that in the Canadian Pacific Railway it is a very large shop and we set up a separate account for it.

Q. And the others come under the regions.—A. They come under districts and divisions.

By Hon. Mr. Horsey:

Q. Does the \$2,009,670, superintendence of equipment, appear in the Blue Book under that title for the Canadian National system?—A. I understand these accounts—

Q. Did you get that figure?—A. I will have to answer that in this way. I am not in the accounting department and I have not actually taken that from the Blue Book myself. It was a corresponding figure set up by our accounting department as being the correct comparative figure to our own supervisory expenses.

Q. I thought they were all taken from the same source.

By Mr. Biggar:

Q. Now the last sheet.—A. The last sheet has the heading of Other Maintenance of Equipment. In your own personal affairs, or in your business, you usually have a pigeon-hole that is labelled "Miscellaneous". That is what this account is. It includes various miscellaneous accounts which the captions on the left-hand side explain in general. "Other locomotive repairs" refer to electric and oil locomotives, and the figure is a Canadian National figure, not ours.

Q. There is no saving there?—A. No change.

Q. I think you might confine yourself to two items where there are savings, and indicate why the miscellaneous equipment is carried out further to the right than the net savings column. What about floating equipment?—A. That is lake steamers, and that is something I am not personally very familiar with.

Q. You don't know about this \$8,500 figure?—A. No, sir, except that it was considered that out of a total expenditure of \$323,041 for the combined roads, a saving of \$8,500 could be effected.

By Hon. Mr. Buchanan:

Q. Why is the item for the C.N.R. so much heavier than yours? Does that include the West Indies service?—A. No, this is only lake service.

Q. Why is theirs so much heavier than yours?

Hon. Mr. MURDOCK: There are the Grand Haven and Milwaukee transfer boats, and also the service across the Detroit river.

The WITNESS: Yes, and boats in British Columbia.

By Hon. Mr. Dandurand:

Q. Take this saving on "Injuries to persons."—A. The total combined expense of the two railroads operated separately for the year 1930 is \$551,784. Due to the fact that under unification there would be less facilities, less men affected, and that the operation would be reduced after a term of years, at the end of a period of years we should be able to reduce the injury account by the figure given here of \$105,136.

By Hon. Mr. Haig:

Q. Less people on the job, and therefore less injuries.—A. It is like a figure you referred to, Senator Calder. It was assumed that it might have been higher or lower, but it was considered that that was a fair proportion to apply.

By Hon. Mr. Dandurand:

Q. That is nothing but a guess.—A. It is more related and directly tied up to the functions of the railroads expressed either in car miles or locomotive miles, or the extent to which the equipment is operated.

By Hon. Mr. Calder:

Q. It is an educated guess.—A. It is based upon the performed mileage under the separate railroads, and under combined operation, and is a logical peg to hang your hat on.

Right Hon. Mr. MEIGHEN: There cannot be any comparison in the figures.

Mr. BIGGAR: There is no saving in the last item.

By Hon. Mr. Haig:

Q. What does the item cover?—A. It is a lot of miscellaneous figures that have no bearing, but the Canadian National does include a little over \$1,500,000 depreciation that does not appear in the Canadian Pacific.

By Mr. Biggar:

Q. Have you anything you want to say about this \$337,606, express equipment? Does that come into the savings statement at all?—A. No, it is only an explanatory note to the effect that the Canadian National figure does include that amount of money. There is no change to that at all.

Q. And that is really an explanation of why the Canadian Pacific figure is \$7,500 and the Canadian National \$362,000?—A. That is correct. There is no change to these figures.

[Mr. W. A. Newman.]

By Right Hon. Mr. Meighen:

Q. Why do not you have any maintenance of express equipment?—A. It is handled in a little different way, and there is no saving based on it at all, and it is not disturbed. This is a miscellaneous account, and there may be some discrepancy as to what the two roads have in the figure.

By Mr. Biggar:

Q. In all this you have assumed the disappearance of the 5,013 miles.

Right Hon. Mr. MEIGHEN: Not in all.

The WITNESS: As far as this enters in, the abandonment of miles is included in this whole statement.

By Mr. Biggar:

Q. You did refer earlier to some permanent changes which might affect it, and which have occurred since 1932. But before we go to that, you have gone over this very carefully recently. Can you tell us whether you now regard it as a sound estimate as made in 1932 in respect of 1930?—A. Yes, sir. The estimate was prepared on a very careful basis.

Q. I am speaking of your present opinion.—A. In the review of the figures which I have gone over, I can see no reason for changing my opinion in any way as related to the savings that may be realized under this account. As I said previously, we were very conservative in estimating the savings that could be effected through the better conditions we would have to work under in the maintenance of equipment with unification. As some index to that, I might say that one per cent saving due to improved efficiency as applied to repairs of locomotives, passenger train cars and freight train cars, means \$538,000; so the possibilities for further economies are still there, sir.

Q. Have there been permanent changes since 1932 that would have any serious effect upon this estimate?—A. If there had been any great change in the costs of labour or of material which would affect our unit costs, we might have expected our estimates to have been influenced; but I have already said that the level of our unit costs for the maintenance of all classes of equipment has been consistently maintained, and there is nothing which we foresee at present that would affect them to any major extent at all. And as far as the unit costs are concerned, they still hold good to-day, as they did in 1930.

By Hon. Mr. Calder:

Q. Did you have anything to do with the original estimates?—A. Only in a very indirect way, sir. The figures were compiled in our department largely by our Supervisor of Costs, Mr. Macken, who is here. I am familiar with the figures, and the reason I have presented them to you is that there are a lot of technical questions which enter into this. But Mr. Macken is familiar with the costs, and I am quite satisfied that they represent conditions as they existed in 1930.

By Hon. Mr. McRae:

Q. May I ask for a little information with respect to equipment retirements that do not enter into savings at all? How do you arrive at these amounts you charge off?

Right Hon. Mr. MEIGHEN: I was just going to ask about that.

The WITNESS: I would suggest that you reserve that question for Mr. Liddy, who is replying directly to that item where it means money.

By Hon. Mr. Calder:

Q. In your estimate in summing up, you said you considered that a reasonable figure to-day, and that under this heading "Maintenance of equipment" by a unified system you would have a saving of \$14,000,000 odd as against \$7,500,000 on the 5,000 odd miles proposed to be abandoned. I repeat that in order that I may in some way or other get the public to understand what this means.—A. The reduction in our \$14,360,414, the total saving in maintenance of equipment for the year 1930, contains only a relatively small proportion that affects the abandonment of lines.

Q. That was my next question. I thought Mr. Biggar would have asked you about that. Now, assuming that no mileage is abandoned, to what extent do you estimate the \$14,000,000 would be lowered?

MR. BIGGAR: I did not ask that question because Mr. Leslie told us this morning that would be dealt with by a witness who would deal with all those matters.

HON. MR. CALDER: All right.

THE WITNESS: I will furnish the figures to the one man who is going to speak, if you like, in a collective way.

THE CHAIRMAN (Hon. Mr. Beaubien): He will bring them right back.

THE WITNESS: Each witness will translate these figures to one who will give the evidence as a whole rather than piecemeal.

By the Chairman (Right Hon. Mr. Graham):

Q. That would lead up to the query: Are we placing too much stress on abandonment?—A. That is right, sir. The abandoned lines that are referred to have very little effect in money on the maintenance of equipment. Certainly they have some effect, but it is a very small proportion of this and a very small proportion of the approximately \$7,000,000 that was given to you.

By Hon. Mr. Haig:

Q. You have a gentleman who is going to give that?—A. Yes, sir.

By Hon. Mr. Hugessen:

Q. Comparing the figures of maintenance of equipment for the two roads for 1930 and 1937, I see the C.P.R. figure for 1930 was \$31,200,000, and for 1937, \$28,900,000; but as to the Canadian National there were \$49,200,000 for 1930 and \$44,500,000 for 1937. So altogether, between the two of them, the expense of maintenance of equipment in 1937 was \$7,000,000 less than in 1930. I understand you to say, notwithstanding, that \$14,000,000 could be saved under unification?—A. Yes, according to the traffic level for 1930. This equipment is the equipment that is used for building up train miles, and our maintenance expenses rise and fall in relation to the total mileage, the traffic level in the various years. If it goes above the level of 1930 there will be substantially increased savings; if it goes below they will be in proportion.

By Hon. Mr. Horsey:

Q. It differs every year according to the unit.—A. That is why the unit cost on the mileage basis is held level.

THE CHAIRMAN (Hon. Mr. Beaubien): Thank you, Mr. Newman.

MR. BIGGAR: Do you want another witness?

HON. MR. HAIG: I think we should adjourn, Mr. Chairman. We are not young fellows like the leader of the Senate. We have to digest these figures.

[Mr. W. A. Newman.]

Hon. Mr. DANDURAND: Mr. Biggar is under the impression that we can finish with the Canadian Pacific's evidence to-morrow. I should like to have Mr. Flintoft's opinion as to what remains.

Mr. FLINTOFT: Well, sir, I do not think I could assure you that we shall finish all our witnesses to-morrow. I think we can clean up these witnesses: Messrs. Jefferson, O'Brien, Liddy, McMurray and Howard.

The CHAIRMAN (Hon. Mr. Beaubien): Will that end your evidence?

Mr. FLINTOFT: No sir. We have Mr. Neal as well.

The CHAIRMAN (Hon. Mr. Beaubien): Have you got any short witness that we could hear from now until 10 o'clock?

Mr. FLINTOFT: No sir. I would suggest that we would make better progress if you would give us a little rest.

The Committee adjourned until 10.30 a.m. to-morrow.

EXHIBIT NO. 45

(See proceedings pp. 334, 367, 610 and 641)

LINE ABANDONMENTS

N denotes Canadian National Line to be abandoned
P " " Pacific " "
NAR " Northern Alberta " "

Province	Between	C.P. Program	C.N. Program	Common to Cols. 3 and 4	C.N. Co-op. Program (Duff Com.)	C.N. Thin Traffic Program	Fair- weather's Sugges- tion to Sen. Com.
		5051 m.	2434 m.	2098 m.	2261 m.	1966 m.	1129 m.
P.E.I.	Harmony Jct. —Elmira					N 10	
N.S.	Inverness Jct. —Inverness					N 61	
N.S.	St. Peters Jct. —St. Peters					N 25	
N.S.	Caledonia Jct. —Caledonia					N 22	
N.S.	Middleton Jct. —Granville Centre	N 22	N 22	N 22		N 8	N 22
N.B.	Buctouche Jct. —Buctouche					N 30	
N.B.	Kent Jct. —Richibucto					N 27	
N.B.	Elgin —Havelock					N 26	
N.B.	Hampton —St. Martins					N 29	
N.B.	Stanley Jct. —Stanley					N 5	
N.B.	Bay Shore —Shore Line Jct.	P 82					
N.B.	Westfield Beach —Centreville	N 158				N 158	
N.B.	Chipman —Norton	P 45					
N.B.	Chipman —Cyr	N 146					
N.B.	Grand Falls —Edmundston	P 27	P 38	P 27	P 38		
N.B. & Que.	Edmundston —Diamond (Que.)	N 225					
Que.	Scotts Jct. —Harlaka Jct.	P 27	P 16	P 16			
Que.	St. Joachim —Nairn Falls					N 62	
Que.	Morency Spur Branch					N 6	
Que.	Belair —Lachevrotiere		P 29	N or P 23			
Que.	Dombourg —St. Marc	N 23				N 22	
Que.	Cap de la Madeleine —Grand Piles	P 27					
Que.	Fortierville —Deschailons					N 6	
Que.	Fortierville —St. Gregoire					N 27	
Que.	Victoriaville —St. Gregoire					N 30	
Que.	Shawinigan —Grand mere		P 6				
Que.	Paradis —Rawdon					N 16	
Que.	St. Leonard —Nicolet		N 14			N 15	
Que.	St. Hyacinthe —Bellevue Jct.					N 31	
Que.	St. Hyacinthe —Iberville					N 28	
Que.	Iberville —Noyan Jct.					N 22	
Que.	Elkhurst —Windsor Mills	P 59					
Que.	Farnham —Freigsburg		N 19			N 18	
Que.	Farnham —Stanbridge	P 14					
Que.	Farnham —St. Guillaume	P 47					
Que.	Farnham —St. Johns	N 13	N 11	N 13	N 11		
Que.	Delson —St. Johns		P 15		P 14		
Que.	Cantic —St. Johns					N 17	
Que.	Stoneham —Loretteville					N 10	
Que.	St. Remi —Hemmingford					N 15	
Que.	St. Lin Jct. —St. Lin	P 15					
Que.	Ste. Therese —St. Eustache	P 6					P 6
Que.	Papineau —Fresniere	N 13					
Que.	St. Canut —Cushing Jct.		N 6				N 23
Ont.	Glen Robertson —Vankleek Hill	N 14					
Ont.	Glen Robertson —Hawkesbury					N 21	
Ont.	Hawkesbury —Ottawa Jct.	N 57				N 5	
Ont.	Rockland —Clarence Creek						
Ont.	Soulanges —Cornwall	P 27	P 27	P 27	P 28		
Ont.	Ottawa West —Carleton Place	P 28					
Ont.	Arnprior —Renfrew	N 17	N 17	N 17			N 17
Ont.	Payne —Eganville	P 19	N 23	N or P 19	P 23		N 22
Ont.	Golden Lake —Pembroke		N 21		N 21	N 20	
Ont.	Federal —Capreol	N 304	N 109	N 109	N 394		

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(See proceedings pp. 334, 367, 610 and 641)

N	denotes Canadian National Line to be abandoned
P	" " Pacific " "
NAR	" Northern Alberta " "

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EXHIBIT NO. 45

(See proceedings pp. 334, 367, 610 and 641)

LINE ABANDONMENTS

N denotes Canadian National Line to be abandoned
P " " Pacific " "
NAR " Northern Alberta " "

1	2	3	4	5	6	7	8
Province	Between	C.P. Program	C.N. Program	Common to Cols. 3 and 4	C.N. Co-op. Program (Duff Com.)	C.N. Thin Traffic Program	Fair- weather's Sugges- tion to Sen. Com.
		— 5051 m.	— 2434 m.	— 2098 m.	— 2261 m.	— 1966 m.	— 1129 m.
Alta.....	Grainger	—Barlow Jct....	N 47	N 47			
Alta.....	Langdon	—Beiseker.....			N 5		N & P 33
Alta.....	Peace River Jct.	—Darson Jct....				N 33	
Alta.....	Foothills	—Lovett.....				N 5	
B.C.....	Vernon	—Okanagan Landing.....	P 5				
B.C.....	Armstrong Jct.	—Campbell Creek.....	N 56				
B.C.....	Kamloops	—Petain.....	P 163				
B.C.....	Hope	—Vancouver....	N 79				
B.C.....	Lulu Island.....		N 19				
B.C.....	Log Dump	—Deerholm....	N 7	N 7	N 7		
B.C.....	Lake End	—Cowichan Lake.....	N 31	N 31	N 31		
B.C.....	Patricia Bay Jct.	—Patricia Bay..				N 15	
Ont.....	Paris (Electric Line)	—Port Dover...	38				
	Totals.....		5,051	2,434	2,098	2,261	1,129

BUREAU OF ECONOMICS, C.N.R.
MONTREAL, May 16, 1938.

EXHIBIT No. 53

Population, railway mileage and freight tonnage by Provinces.

DOMINION BUREAU OF STATISTICS
TRANSPORTATION AND PUBLIC UTILITIES BRANCH

OTTAWA, May 28, 1938

Col. O. M. Biggar, K.C.,
Victoria Building,
Ottawa.

Dear Sir,

Referring to your file 2090-1 of May 18th, it is rather difficult to make a short statement that will show the railway conditions in the different parts of the country and that will give a true picture. For instance, Prince Edward Island, surrounded by salt water open the year round, has probably more mileage in respect to its actual requirements than any of the other provinces, although the Prairie Provinces show a considerably heavier mileage per capita. Also, the St. Lawrence River and Great Lakes are so important to the provinces of Ontario and Quebec that it is difficult to measure this factor in the transportation picture. The attached statement, however, will give you some information.

Because the miles of railway per thousand population tells only part of the story I have also shown the tons loaded at stations in each province per mile of road, the total tons loaded and received from foreign connections, the total tons unloaded at stations in each province, and the total tons unloaded and delivered to foreign connections. These data are shown for both 1928 and 1936, 1928 being the heaviest traffic year on record.

I have also shown at the bottom of the table the water-borne traffic in 1937 as reported by the harbours under the jurisdiction of the National Harbours Board. The traffic for Ontario was practically all grain in and out of elevators at Port Colborne and Prescott and, of course, was the same grain. Much of the freight of Quebec harbours is grain brought from the Head of the Lakes to Montreal by water and forwarded by water.

Because of the large unpopulated areas in Quebec, Ontario, and in the other provinces, comparison on a square mile basis would be of little value. We cannot give statistics on traffic for any unit other than the province and, consequently, I have not attempted to make any segregation of Northern Ontario data. Also, we have no statistics of ton miles by provinces, but only tons loaded, received, unloaded, and delivered, and these will not give the density of traffic because no weight is given to the variations in lengths of haul nor to traffic moving across a province.

Yours very truly,

(SGD) G. S. WRONG,

Chief,

Transportation & Public Utilities Branch.

CANADIAN RAILWAYS
POPULATION, RAILWAY MILEAGE AND FREIGHT TONNAGE BY PROVINCES
(See *Proceedings, 17th May, 1938, p. 360*)

1936	Prince Edward Island	Nova Scotia	New Brunswick	Total Maritime Provinces	Quebec	Ontario	Manitoba	Saskat- chewan	Alberta	Total Prairie Provinces	British Columbia	Total Canada including Yukon and N.W.T.
Population.....Thousands	92	537	435	1,064	3,096	3,690	711	931	772	2,414	750	11,028
Miles of railway.....	286	1,397	1,871	3,554	4,777	10,746	4,860	8,624	5,686	19,170	3,907	42,212
Average miles of railway per 1,000 population.....	3.10	2.60	4.30	3.34	1.54	2.91	6.83	9.26	7.37	7.94	5.21	3.83
Average tons of freight per mile of railway—												
Loaded at stations.....	650	4,760	990	2,440	1,790	1,530	810	720	1,230	890	990	1,290
Loaded at stations and receiv- ed from foreign connections	650	4,850	1,220	2,600	2,450	3,020	840	750	1,260	930	1,110	1,790
Unloaded at stations.....	790	4,130	880	2,150	1,390	2,010	790	400	460	510	710	1,150
Unloaded at stations and deli- vered to foreign connec- tions.....	860	4,530	1,340	2,660	2,400	3,500	850	430	460	550	1,460	1,770
1923												
Average tons of freight per mile of railway—												
Loaded at stations.....	864	5,150	1,120	2,680	2,620	2,200	1,490	1,350	2,240	1,660	1,800	2,020
Loaded at stations and receiv- ed from foreign connections	864	5,230	1,450	2,880	3,530	4,790	1,580	1,400	2,300	1,720	1,940	2,860
Unloaded at stations.....	910	4,460	960	2,320	2,920	3,320	1,330	640	900	890	1,370	1,930
Unloaded at stations and deli- vered to foreign connec- tions.....	910	4,800	2,000	3,010	4,550	5,540	1,390	700	900	930	2,520	2,900
Water-borne Traffic—1937												
National Harbours												
IN.....	1,334,412	773,742	2,108,154	13,370,376	24,807,832						4,176,003	
OUT.....	1,041,797	1,224,670	2,286,467	7,497,117	24,125,176						2,736,120	

¹ For details on Harbours, see below.

Dominion Bureau of Statistics.
Ottawa, May 25, 1938.

RAILWAY CONDITIONS

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WATER BORNE TRAFFIC IN AND OUT OF NATIONAL HARBOURS

1937

	In	Out
Halifax.....	1,334,412	1,041,797
Saint John.....	773,742	1,244,670
Chicoutimi.....	111,918	4,514
Quebec.....	1,223,534	456,857
Three Rivers.....	1,956,401	739,635
Montreal.....	10,073,523	6,296,111
Total for Quebec.....	13,370,376	7,497,117
Prescott.....	5,958,806	5,934,831
Port Colborne.....	18,849,026	18,190,345
Total for Ontario.....	24,807,832	24,125,176
Vancouver.....	4,176,003	2,736,120

DOMINION BUREAU OF STATISTICS,
OTTAWA, May 25, 1938.

EXHIBIT No. 54

CANADIAN NATIONAL AND CANADIAN PACIFIC RAILWAYS
Ten Years, 1927-1936

	Canadian National (System)	Canadian Pacific Railway Company
	\$	\$
Gross operating revenues..... (A).....	2,155,162,355	1,719,530,177
Operating expenses, taxes, rental, etc..... (B).....	1,990,368,632	1,314,730,260
Net income before fixed charges..... (C) (A-B)...	164,793,673	404,799,917
Fixed charges..... (D).....	(1) 538,826,700	215,906,763
Net income or deficit before dividends..... (E) (C-D)...	Dr. 374,033,027	Cr. 188,893,154
Dividends..... (F).....		162,006,281
Income to Profit and Loss..... (G) (E-F)...	Dr. 374,033,027	26,886,873
Profit and Loss Debits..... (H).....	69,697,077	52,436,546
Profit and Loss Balance..... (I) (G-H)...	Dr. 443,730,104	Dr. 25,549,673
Cash deficits paid by Dominion Government (East- ern Lines) (from July 1, 1927)..... (J).....	56,895,209	
Cash deficits paid by Dominion Government (Other Canadian Lines) (from Jan. 1, 1932)..... (K).....	227,521,384	
Total..... (L) (J+K)...	284,416,593	
Balance of deficits..... (M) (E-L)...	89,616,434	
Dominion Government Loans—		
For deficits, 1929-1931..... (N).....	44,053,869	
For capital, refunding, etc..... (O).....	41,357,710	
Temporary loan for refunding..... (P).....	(2) 35,076,695	
Under S.P.W.C. Act, 1935..... (Q).....	789,062	
Net increase in Canadian National debt guaranteed by Dominion Government.....	357,747,323	

(1) Does not include interest of \$342,973,425 on Government advances.

(2) Repaid in 1937.

DOMINION BUREAU OF STATISTICS,
May 28, 1938.

SPECIAL COMMITTEE

EXHIBIT No. 55

AN ESTIMATE OF CASH INVESTED IN TRANSPORTATION

(Dominion, to March 31, 1937: All Other, to December 31, 1936)

MILLIONS OF DOLLARS

	Railway	Water	Highway
1. Dominion—			
Subsidies.....	\$162.7	\$ 60.5	} See 4
Capital Expenditures.....	421.4	360.4	
Operating and Capital Losses.....	701.0	150.9	
Loans.....	58.6	146.5	
Securities Purchased.....	288.0	0.1	
Miscellaneous Grants, etc.....	61.6		
Dredging.....		157.1	
Lighthouses, aids to navigation and sundry related expenditures...		400.0	
	\$1,693.3	\$1,275.5	
2. Provincial—			
Subsidies.....	\$ 33.4		See 4
Loans.....	72.9		See 4
Revenue from Motor Vehicle Registration and Gasoline Taxes since 1928 (Credit).....			Cr. 419.0
	\$106.3		Cr. 419.0
3. Municipal—			
Subsidies.....	\$ 13.3		See 4
4. Common to Dominion, Provincial and Municipalities—			
Estimated value of highways at 1928.....			\$671.0
Construction, 1928 to 1936 (inclusive).....			430.1
Maintenance, 1928 to 1936 (inclusive).....			184.3
			\$ 1,285.4
TOTAL PUBLIC CAPITAL.....	\$1,812.9	\$1,275.5	\$ 886.4
5. Private Capital—			
Stocks.....	\$ 924.4	No Information	
Dominion Guaranteed Securities.....	972.4	31.0	
All other securities.....	771.8	No Information	
TOTAL PRIVATE CAPITAL.....	\$2,668.6		

NOTE:—

"Railway" includes all direct expenditures, also cost of 20% tariff reductions under M.F.R.A. of 1927, Railway Grade Crossing expenditures, and unemployment assistance.

"Water" includes port terminal facilities, dredging, aids to navigation, shipping subsidies, cost of Canadian Government Merchant Marine Fleet (now sold) and Canadian National (W.I.) Fleet.

"Highway" includes estimated value of 1928 and actual costs and provincial revenues only since 1928.

"Figures" Dominion Expenditure is "net" after application of revenues received.

Provincial revenues applicable to highways are included separately but deducted from total.

RAILWAY AUDITOR'S OFFICE,
Department of Transport,
May 25th, 1938.

MILEAGE COMMON TO C.P.R. AND C.N.R.

PROPOSALS FOR ABANDONMENT LINES BEFORE DUFF COMMISSION, 1932, SHOWING PRESENT STATUS
(C.P.R. proposals, Ex. 50, p. 427; C.N.R. proposals, Ex. 48, pp. 500-501). See also Ex. 45

N.—Denotes Canadian National line to be abandoned.

P.—Denotes Canadian Pacific line to be abandoned.

NAR.—Denotes Northern Alberta line to be abandoned.

No. on C.P.R. Proposal Ex. 50	BETWEEN	Railway	Approximate Mileage	Present Position	MILES							
					Actually Abandoned	Abandonment Application being Prepared	Abandonment Agreement being Prepared	Abandonment Agreement held in Abeysance	Under Study	Re- jected	C.P.R. Non-com- petitive Lines	
1	Middleton Jct.	—Granville Centre.....	N	Application being made to Board of Railway Commissioners for permission to abandon.	22							
6 8	Grand Falls Scott's Jct.	—Edmundston..... —Harlaka Jct.....	P P	Abandoned. After joint study—No economy from abandonment.	27 16						16	
14 9 18	Farnham Dombourg Soulanges	—St. Johns..... —St. Marc..... —Cornwall.....	N N P	Abandoned. C.N.R. Line abandoned. Studied and rejected by Joint Co- operative Committee.	13 23 27						27	
22	Amprior	—Renfrew.....	N	Under study by Canadian National Section of Joint Co-operative Com- mittee.	17					17		
23	Payne	—Eganville.....	P	Under study by Canadian National Section of Joint Co-operative Com- mittee.	19					19		
24	Federal	—Capreol.....	N	After joint study—No economy from abandonment.	109						102	
25	Lyn Jct.	—Forfar.....	N	Studied by C.N.R., rejected—no econ- omy.	31		7				31	
26	Glen Tay	—Whitby.....	P	After joint study Glen Tay-Shannonville (71 miles) showing no economy from abandonment. After joint study Shannonville-Brighton (34 miles) not feasible account dis- turbance to C.P. Labour at Trenton, Brighton-Darlington (59 miles) under study by Joint Co-operative Com- mittee.	164					59	105	

EXHIBIT NO. 55

MILEAGE COMMON TO C.P.R. AND C.N.R.

PROPOSALS FOR ABANDONMENT LINES BEFORE DUFF COMMISSION, 1932, SHOWING PRESENT STATUS

(C.P.R. proposals, *Ex. 50*, p. 487; C.N.R. proposals, *Ex. 42*, pp. 500-501). See also *Ex. 45*

N.—Denotes Canadian National line to be abandoned.

P.—Denotes Canadian Pacific line to be abandoned.

NAR.—Denotes Northern Alberta line to be abandoned.

No. on C.P.R. Proposal Ex. 50	BETWEEN	Railway	Approxi- mate Mileage	Present Position	MILES					C.P.R. Non-com- petitive Lines
					Actually Aban- doned	Aband- onment Applica- tion being Prepared	Aband- onment Agree- ment being Prepared	Aband- onment Agree- ment held in Abyeance	Under Study	Re- jected
27 29	Ronnac Palgrave	N N	35 42	Abandoned. Studied by C.N.R.—no economy from abandonment.	35					42
28	Lindsay	N or P	56	Collection of data for agreement with Can. Pac. covering this abandonment actively in hand.			56			
34	Linwood	P	16	Application being made to Board of Rail- way Commissioners for permission to abandon.		16				
40	Glencoe	N	21	Studied by C.N.R.—no economy from abandonment.						21
39	Woodstock	P	135	Under study by Joint Co-operative Committee (presently in hands of Joint Local Committee).					135	
41	Beaverton (Bala) —Longlac (Wanup)....	N	141	Approved for abandonment by Joint Executive Committee—preparation of agreement covering this abandonment held in abeyance pending recommenda- tion to abandon similar line of Cana- dian Pacific.				141		
44	Nakina (Hector) —Paddington	N	64	Under study by Joint Co-operative Com- mittee (presently in hands of Joint Local Committee).					64	
43	Nipigon	P	63	Under study by Joint Co-operative Com- mittee (presently in hands of Joint Local Committee).					63	
44	Conmee	N	59	Under study by Joint Co-operative Com- mittee (presently in hands of Joint Local Committee).					59	

45	Beach Jct.	-E. Selkirk.....	N	24	After joint study Beach Jct.-Birds Hill (8 miles) showed no economy from abandonment. Birds Hill-E. Selkirk (16 miles) approved for abandonment by Joint Executive Committee—changed conditions have now made abandonment doubtful.				16	8
47	Rugby Jct.	-Morris.....	P	40	Under study by Joint Co-operative Committee (presently in hands of Joint Local Committee).				40	
49	Elm Creek	-Plum Coulee.....	P	40	C. P. R. Line.....					40
50	Portage	-Gladstone.....	P	35	Under study by Joint Co-operative Committee.				35	
51	West Tower	-Deer.....	N	22	After joint study—no economy from abandonment.					22
53	Carberry	-Carberry Jct.....	N	19	Studied by C.N.R. and rejected—					19
52	McGregor	-Varcoe.....	P	55	Studied by C.N.R. Joint Co-operative Committee.				55	
55	Gautier	-Miniota.....	P	44	Studied by C.N.R. Joint Co-operative Committee.				44	
56	Forrest	-Wheatland.....	P	19	Studied by C.N.R. Joint Co-operative Committee.				19	
57	Brandon	-Maryfield.....	N	75	After joint study Maon-Maryfield (35 miles) rejected. After joint study Brandon-Maon (40 miles) under study by Joint Co-operative Committee (presently in hands of Joint Local Committee).				40	35
59	Holmfield	-Deloraine.....	N	51	Collection of data for agreement with Can. Pac. covering this abandonment actively in hand. C. P. R. Line.....		51			
60	Binscarth	-Ingils.....	P	24	C. P. R. Line.....					24
61	McAuley	-Virden.....	P	36	C. P. R. Line.....					36
62	Maryfield	-Peebles.....	P	71	Abandonment Wolsley-Reston (122 Miles) approved by Joint Executive Committee—preparation of agreement held in abeyance pending recommendation to abandon similar line of Canadian National.			71		
66	Worrell	-Moosejaw Jct.....	N	39	Under study by Joint Co-operative Committee.				39	
68	Young	-Colonsay.....	N or P	16	After joint study—no economy from abandonment.					16
70	Saskatoon	-Unity.....	P	120	After joint study Saskatoon-Perdue (39 miles) and Wilkie-Unity (22 miles) rejected. Perdue-Wilkie (59 miles) under study by Joint Co-operative Committee.				59	61

EXHIBIT NO. 53

MILEAGE COMMON TO C.P.R. AND C.N.R.

PROPOSALS FOR ABANDONMENT LINES BEFORE DUFF COMMISSION, 1932, SHOWING PRESENT STATUSES

(C.P.R. proposals, Ex. 50, p. 447; C.N.R. proposals, Ex. 42, pp. 600-601). See also Ex. 45

N.—Denotes Canadian National line to be abandoned.

P.—Denotes Canadian Pacific line to be abandoned.

N.A.R.—Denotes Northern Alberta line to be abandoned.

No. on C.P.R. Proposal Ex. 50	BETWEEN	Railway	Approximate Mileage	Present Position	MILES						
					Actually Abandoned	Aband- ment Applica- tion being Prepared	Aband- ment Agree- ment being Prepared	Aband- ment Agree- ment held in Abeyance	Under Study	Re- jected	C.P.R. Non-com- petitive Lines
72	Bruderheim	—S. Edmonton.....	33	Under study by Jt. Co-operative Com- mittee (presently in hands of Joint Local Committee).					33		
71	Edmonton	—Kerenksy.....	45	Under study (presently in hands of Joint Local Committee).					45		
71	Carbondale	—Morinville.....	5	Under study (presently in hands of Joint Local Committee).					5		
73	Tofield	—Barlee Jct.....	23	Studied by C.N.R. and rejected—no economy.						23	
74	Warden	—Alix.....	22	After joint study Warden-Nevis (13 miles) rejected—no economy. Nevis-Alix (9 miles) collection of data for agreement with Can. Pac. covering this abandonment actively in hand.			9			13	
75	Red Deer Jct.	—Rocky Mountain House.	55	Collection of data for agreement with Can. Pac. covering this abandonment actively in hand. The line proposed for joint use is a composite line.			55				
76	Grainger	—Barlow Jct.....	47	Collection of data for agreement with Can. Pac. covering this abandonment actively in hand. This line proposed for joint use is a composite line. After joint study abandonment Beiseker- Grainger (14 miles) rejected.			33			14	
83	Lake End	—Cowichan Lake.....	31	Studied by C.N.R. rejected—no econ- omy.						31	
82	Log Dump	—Deerholm.....	7	Studied by C.N.R. rejected—no econ- omy.						7	
Totals.....			2,098		98	38	211	228	830	593	100

EXHIBIT No. 57

Estimate by C.P.Ry. Co. of savings in car and train miles by re-routing of freight traffic.

(Not printed.)

EXHIBIT No. 58

DETAILED DEVELOPMENT OF RAILWAY OPERATING EXPENSES, MAINTENANCE OF WAY AND STRUCTURES—BASED ON YEAR 1930. (SUPPLEMENTING STATEMENT APPEARING AT TOP OF PAGE 423.)

EXHIBIT "A"
(a)

MILEAGES—DECEMBER 31ST, 1930

	Miles	Miles
Canadian Pacific Railway.....	15,106	
Canadian Pacific Subsidiaries.....	1,552	
Canadian National Railways.....		16,658
Northern Alberta Railways.....		23,768
		878
Total Combined Roads.....		41,304
Less—Duplicate Mileage—Running Rights.....		345
		40,959
Less—Lines to be abandoned (Exhibit "A").....		5,013
		35,946

Total Combined Mileage—35,946 Miles=215.79% of total Canadian Pacific mileage of 16,658 miles.
Total Lines to be abandoned—5,013 = 12.24% of total.

EXHIBIT "H"
Page 2
(a)

RAILWAY OPERATING EXPENSES

Superintendence—Maintenance of Way—Based on Year 1930

	Canadian Pacific Railway		Estimate for Combined Systems Operated as a Unit		Remarks
	No. of Office Units	Total Expense	No. of Office Units	Total Expense	
Headquarters.....	1	\$ 148,824	1	\$ 256,930	Increased in proportion 16,658 miles Can. Pac. System to 35,946 miles of combined system, less 20%.
Regional.....	2	202,176	4	404,352	Increased in proportion to number of office units.
Districts.....	8	104,000	13	247,416	Increased in proportion to number of office units plus 46.4% account increase in district mileage from average of 1,888 to average of 2,765.
Divisions.....	27	822,000	52	1,956,725	Increased in proportion to number of office units plus 23.6% account increase in division mileage from average of 559 to average of 691.
Subsidiaries.....		94,601			
		1,371,601		2,865,423	

EXHIBIT "H"
Page 2
(b)

RAILWAY OPERATING EXPENSES
Roadway Maintenance—Based on Year 1930

Canadian Pacific Railway				Estimate for Combined Systems Operated as a Unit			
—	Miles	Units	Total Units	—	Miles	Units	Total Units
<i>Eastern Lines</i>				<i>Lines East of Fort William</i>			
Main Line—Single Track.....	2,422	100	242,200	Main Line—Single Track.....	4,068	100	406,800
Double Track.....	2,449	180	80,820	Double Track.....	1,551	180	279,180
Branch Line.....	2,204	52	114,608	Branch Line.....	10,164	52	528,528
Total.....			437,628	Total.....			1,214,508
Expense.....	\$1,493,504		\$3,413	Expense, Lines East, at \$3.413 per Unit.....	\$4,145,116		
Cost per Unit.....							
<i>Western Lines</i>				<i>Lines West of Fort William</i>			
Main Line—Single Track.....	2,353	100	235,300	Main Line—Single Track.....	4,655	100	465,000
Double Track.....	968	180	174,240	Double Track.....	1,055	180	189,900
Branch Line.....	6,710	65	436,150	Branch Line.....	14,453	65	939,445
Total.....			845,690	Total.....			1,594,845
Expense.....	\$2,039,168		\$2,411	Expense, Lines West, at \$2.411 per Unit.....	\$3,845,171		
Cost per Unit.....							
<i>Subsidiaries.</i>							
Total Expense.....	\$485,130			Total Expense.....	\$7,990,287		
	\$4,017,802						

RAILWAY OPERATING EXPENSES
Bridges, Trestles and Cutverts—Based on Year 1930

Canadian Pacific Railway				Estimate for Combined Systems Operated as a Unit			
—	Miles	Units	Total Units	—	Miles	Units	Total Units
<i>Eastern Lines</i>				<i>Lines East of Fort William</i>			
Main Line—Single Track.....	2,422	100	242,200	Main Line—Single Track.....	4,068	100	406,800
Double Track.....	499	180	80,820	Double Track.....	1,551	180	279,180
Branch Line.....	2,204	52	114,608	Branch Line.....	10,164	52	528,528
Total.....			437,628	Total.....			1,214,508
Expense.....				Expense, Lines East, at \$1.441 per unit.....	\$1,751,321		
Cost per Unit.....	\$631,192		\$1,442				
<i>Western Lines</i>				<i>Lines West of Fort William</i>			
Main Line—Single Track.....	2,353	100	235,300	Main Line—Single Track.....	4,655	100	465,500
Double Track.....	968	180	174,240	Double Track.....	1,053	180	189,900
Branch Line.....	6,710	65	436,150	Branch Line.....	14,453	65	939,445
Total.....			845,690	Total.....			1,594,845
Expense.....				Expense, Lines West at \$0.811 per unit.....	\$1,293,419		
Cost per Unit.....	\$685,815		\$0.811				
<i>Subsidiaries</i>	\$422,205						
Total Expense.....	\$1,739,212			Total Expense.....	\$3,044,740		

EXHIBIT "H"
Page 2
(b)

RAILWAY OPERATING EXPENSES

Ties—Based on Year 1930

Canadian Pacific Railway				Estimate for Combined Systems Operated as a Unit			
—	Miles	Units	Total Units	—	Miles	Units	Total Units
<i>Eastern Lines</i>				<i>Lines East of Fort William</i>			
Main Line—Single Track.....	2,422	100	242,200	Main Line—Single Track.....	4,068	100	406,800
Double Track.....	449	180	80,280	Double Track.....	1,551	180	279,180
Branch Line.....	2,204	52	114,608	Branch Line.....	10,164	52	528,528
Total.....			437,628	Total.....			1,214,508
Expense.....				Expense, Lines East, at \$5.484 per Unit.....	\$6,660,362		
Cost per Unit.....	\$2,399,937		\$5,484				
<i>Western Lines</i>				<i>Lines West of Fort William</i>			
Main Line—Single Track.....	Miles 2,353	100	235,300	Main Line—Single Track.....	Miles 4,655	100	465,500
Double Track.....	968	180	174,240	Double Track.....	1,055	180	189,900
Branch Line.....	6,710	65	436,150	Branch Line.....	14,453	65	939,445
Total.....			845,690	Total.....			1,594,845
Expense.....	\$2,474,739			Expense, Lines West, at \$2.926 per Unit.....	\$4,666,516		
Cost per Unit.....	\$ 340,359		\$2,926				
Subsidiaries.....	\$5,215,035				\$11,326,878		
Less: Capital proportion of cost of creosoted ties not included in maintenance expenses shown for combined railways or unified system.....	\$2,500,000			Less: Capital proportion of cost of creosoted ties not included in maintenance expenses shown for combined railways or unified system.....	2,500,000		
Total Expense.....	\$2,715,035			Total Expense.....	\$8,826,878		

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES

Rails and Other Track Material—Based on Year 1930

Canadian Pacific Railway				Estimate for Combined Systems Operated as a Unit			
—	Miles	Units	Total Units	—	Miles	Units	Total Units
<i>Rails:</i>							
Main Line—Single Track.....	4,775		477,500	Main Line—Single Track.....	8,723		872,300
—Double Track.....	1,417		255,060	—Double Track.....	2,606		469,080
Branch Line.....	8,914		550,758	Branch Line.....	24,617		1,467,973
	15,106		1,283,318		35,946		2,809,353
<i>Rails:</i>							
C.P.R. Expense.....	\$1,734,370			2,809,353 Units at \$1.351.....	\$3,795,436		
Cost per Unit.....			\$1.351				
C.P.R. Subsidiaries.....	161,044						
	\$1,895,414						
<i>Less:</i>							
Amount charged against Rail Reserve				Less:			
created by charges to Operating Ex-				Amount charged against Rail Reserve			
penses prior to 1930 and not included in				created by charges to Operating Ex-			
maintenance expenses of combined				penses prior to 1930 and not included in			
railways or unified system.....	1,225,000			maintenance expenses of combined	1,225,000		
				railways or unified system.....			
	\$ 670,414				\$2,570,436		
<i>Other Track Material:</i>							
C.P.R. Expense.....	\$1,148,936			2,809,353 Units at \$0.895.....	\$2,514,371		
Cost per Unit.....			\$0.895				
C.P.R. Subsidiaries.....	54,924						
	\$1,203,860						

EXHIBIT "H"
Page 2
(f)

RAILWAY OPERATING EXPENSES

Ballast—Based on Year 1930

Canadian Pacific Railway				Estimate for Combined Systems Operated as a Unit				
Eastern Lines		Miles	Units	Total Units	Lines East of Fort William		Units	Total Units
Main Line—Single Track.....		2,422	100	242,200	Main Line—Single Track.....		4,068	406,800
—Double Track.....		449	180	80,820	—Double Track.....		1,551	279,180
Branch Line.....		2,204	52	114,608	Branch Line.....		10,164	528,528
Total.....				437,628	Total.....			1,214,508
Expense.....					Expense, Lines East, at \$0.433 per Unit.....			
Cost per Unit.....		\$189,505		\$0.433			\$525,882	
Western Lines					Lines West of Fort William			
Main Line—Single Track.....		2,353	100	235,300	Main Line—Single Track.....		4,655	465,500
—Double Track.....		968	180	174,240	—Double Track.....		1,055	189,900
Branch Line.....		6,710	65	436,150	Branch Line.....		14,453	939,445
Total.....				845,690	Total.....			1,594,845
Expense.....					Expense, Lines West, at \$0.467 per Unit.....			
Cost per Unit.....		\$395,221		\$0.467			\$744,793	
Subsidiaries.....		\$33,654						
Total Expense.....		\$618,380			Total Expense.....		\$1,270,675	

RAILWAY CONDITIONS

RAILWAY OPERATING EXPENSES

Track Laying and Surfacing—Based on Year 1930

Canadian Pacific Railway				Estimate for Combined Systems Operated as a Unit					
Eastern Lines		Miles	Units	Total Units	Lines East of Fort William		Miles	Units	Total Units
<i>Eastern Lines</i>									
Main Line—Single Track.....		2,422	100	242,200	Main Line—Single Track.....		4,068	100	406,800
—Double Track.....		449	180	80,820	—Double Track.....		1,551	180	279,180
Branch Line.....		2,204	52	114,008	Branch Line.....		10,164	52	528,528
Total.....				437,628	Total.....				1,214,508
Expense.....					Expense, Lines East, at \$8.118 per Unit.....				
Cost per Unit.....		\$3,552,739		\$8.118			\$9,859,376		
<i>Western Lines</i>									
Main Line—Single Track.....		2,353	100	235,300	Main Line—Single Track.....		4,655	100	465,500
—Double Track.....		908	180	174,240	—Double Track.....		1,055	180	189,900
Branch Line.....		6,710	65	436,150	Branch Line.....		14,453	65	939,445
Total.....				845,690	Total.....				1,594,845
Expense.....					Expense, Lines West, at \$4.852 per Unit.....				
Cost per Unit.....		\$4,103,580		\$4.582			\$7,738,188		
<i>Subsidiaries.</i>									
		\$489,740							
Total Expense.....		\$8,146,059			Total Expense.....		\$17,597,564		

RAILWAY OPERATING EXPENSES
Summary Track Maintenance—Based on Year 1930

	Canadian Pacific Railway	Estimate for Combined Systems Operated as a Unit
(b) Roadway Maintenance.....	\$4,017,802	\$7,990,28
(c) Bridges, Trestles and Culverts.....	1,739,212	3,044,74
(d) Ties.....	2,715,035	8,826,87
(e) Rails.....	670,414	2,570,43
(e) Other Track Material.....	1,203,860	2,514,37
(f) Ballast.....	618,380	1,270,67
(g) Track Laying and Surfacing.....	8,146,059	17,597,56
	\$19,110,762	\$43,814,95

RAILWAY OPERATING EXPENSES
Station and Office Buildings—Based on Year 1930

	Canadian Pacific Railway			Estimate for Combined Systems Operated as a Unit		
	Amount	Mileage	Cost per Mile	Total Mileage	Cost per Mile	Amount
Total Expense.....	\$1,374,022	16,658	\$82.484	35,946	\$82.484	\$2,964,97

Shops and Enginehouses—Based on Year 1930

Total Expense.....	\$736,809	16,658	\$44.232	35,946	\$44.232	\$1,589,96
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Canadian Pacific Railway				Estimate for Combined Systems Operated as a Unit					
<i>Eastern Lines</i>		Miles	Units	Total Units	<i>Lines East of Fort William</i>			Units	Total Units
Main Line—Single Track.....	2,422	100	242,200	406,800 279,180 528,528	Main Lines—Single Track.....	4,068	100	406,800	
Double Track.....	449	180	80,820		Double Track.....	1,551	180	279,180	
Branch Line.....	2,204	52	114,608		Branch Line.....	10,164	52	528,528	
Total.....			437,628		Total.....			1,214,508	
Expense.....					Expense, Lines East, at \$1.173 per Unit.....	\$1,424,618			
Cost per Unit.....	\$513,428		\$1-173		<i>Lines West of Fort William</i>				
<i>Western Lines</i>					Main Line—Single Track.....	4,655	100	465,500	
Main Line—Single Track.....	2,353	100	235,300	189,900 939,445	Double Track.....	1,055	180	189,900	
Double Track.....	968	180	174,240		Branch Line.....	14,453	65	939,445	
Branch Line.....	6,710	65	436,150						
Total.....			845,690		Total.....			1,594,845	
Expense.....	\$438,842		\$0-519		Expense, Lines West at \$0.519 per Unit.....	\$827,725			
Cost per Unit.....	\$ 55,610				Total Expense.....	\$2,252,343			
<i>Subsidiaries</i>									
Total Expense.....	\$1,007,880								

EXHIBIT "H"
Page 2
(k)

RAILWAY OPERATING EXPENSES

Other—Maintenance of Way and Structures—Based on Year 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
Tunnels and Subways.....	\$41,366	\$48,841		\$90,207	\$90,207	\$96,127
Right of Way Fences.....	324,250	465,304	\$6,245	795,859	699,732	60,973
Snow and Sand Fences and Snow Sheds.....	64,585	135,392	370	200,347	139,374	296,512
Crossings and Signs.....	293,406	632,038	4,238	929,682	633,170	228,052
Roadway Buildings.....	106,141	175,886	2,667	284,694	228,052	55,642
Water Stations.....	300,582	513,194	15,985	869,701	778,136	111,565
Fuel Stations.....	151,044	168,144	256	319,444	319,444	
Grain Elevators.....	39,799	867		40,666	40,666	
Storage Warehouses.....	2,101			2,101	2,101	
Wharves and Docks.....	97,281	222,784		320,065	320,065	
Coal and Ore Wharves.....	18,032	3,767		21,799	21,799	
Gas Producing Plants.....		42		42	42	
Signals and Interlockers.....	533,946	619,952	2,585	1,156,483	1,087,783	68,700
Power Plant Buildings.....		3,948		3,948	3,948	
Power Substation Buildings.....		1,036		1,036	1,036	
Power Transmission Systems.....		9,774		9,774	9,774	
Power Distribution Systems.....		36,189		36,189	36,189	
Power Line Poles and Fixtures.....		20,682		20,682	20,682	
Miscellaneous Structures.....		3,372		41,884	41,884	
Paving.....	38,512	426		481	481	
Roadway Machines.....	55					
Small Tools and Supplies.....	131,100	260,587	4,540	396,227	282,914	113,313
Assessments for Public Improvements.....	266,985	599,235	9,728	875,948	576,154	299,794
Injuries to Persons.....	32,707	75,692		108,399	108,399	
Insurance.....	217,062	492,967	2,577	712,606	468,420	244,186
Stationery and Printing.....	4,361	90,063	4,946	99,370	86,741	12,629
Other Expenses.....	25,761	73,455	2,204	101,420	55,592	45,828
Maintaining Joint Tracks, Yards, Etc.—	1,464	18,384		19,848	19,848	
Other Facilities—Dr.....	416,506	672,931	8,010	1,097,447	1,097,447	
Other Facilities—Cr.....	360,562	1,454,901		1,815,463	1,815,463	
Depreciation.....		106,853		106,853	106,853	
	\$2,806,484	\$3,996,904	\$64,351	\$6,867,739	\$5,462,470	\$1,405,269

EXHIBIT No. 59

DETAILED DEVELOPMENT OF RAILWAY OPERATING EXPENSES—MAINTENANCE OF EQUIPMENT—BASED ON YEAR 1930. (SUPPLEMENTING STATEMENT APPEARING ON PAGE 423)

RAILWAY OPERATING EXPENSES

Steam Locomotive Repairs—Based on Year 1930

<i>Canadian Pacific Railway</i>		<i>Estimate for Combined Systems Operated as a Unit</i>	
Total Expense.....	\$ 9,350,038	Total Locomotive Miles combined Systems 119,089,299 at 16.75c. per mile.....	\$ 19,947,458
Locomotive Miles....	55,821,040	Decrease in unit costs account higher percentage of modern power in service and use of most efficient shops for repairs (5%).....	
Cost Per Mile.....	15.75c		
Subsidiaries.....	508,521		997,373
Total Expense.....	\$ 9,858,559	Total Expense.....	\$ 18,950,085

Locomotive Miles 1930

	Passenger	Freight	Yard	Total
Canadian Pacific Railway.....	20,976,588	26,808,801	8,035,651	55,821,040
Subsidiaries.....	1,469,387	1,969,958	217,319	3,656,664
Canadian National Railways.....	26,829,978	35,665,378	13,158,947	75,654,303
Northern Alberta Railways.....	168,636	345,079	30,139	543,854
Total.....	49,444,589	64,789,216	21,442,056	135,675,861
Percentage Reduction.....	16.2%	9.2%	12.2%	12.2%
Revised Total.....	41,434,566	58,828,608	18,826,125	119,089,299

RAILWAY OPERATING EXPENSES

Freight Train Car Repairs—Based on Year 1930

<i>Canadian Pacific Railway</i>		<i>Estimate for Combined Systems Operated as a Unit</i>	
Total Expense.....	\$ 9,923,157	Total Freight Train car miles—1,953,563,435 (Exhibit "C") at 1.238c. per freight train car mile..	\$ 24,185,115
Freight train car miles. 801,561,988		Decrease in unit costs account higher percentage of modern steel freight car equipment available and use of most efficient shops.....	
Cost per mile.....	1.238c...		
Subsidiaries.....	265,223		1,209,256
Total Expense.....	\$ 10,188,380	Total Expense.....	\$ 22,975,859

RAILWAY OPERATING EXPENSES

Passenger Train Car Repairs—Based on Year 1930

Canadian Pacific Railway		Estimate for Combined Systems Operated as a Unit	
Total Expense.....	\$ 4,901,876	Total Passenger Train Car Miles— 296,465,192 (Exhibit "B") at 3.247c. per mile.....	\$ 9,626,225
Passenger Train Car Miles.....	150,978,250		
Cost per Mile.....	3.247c.		
Subsidiaries.....	98,204		
Total Expense.....	\$ 5,000,080	Total Expense.....	\$ 9,626,225

RAILWAY OPERATING EXPENSES

Work Equipment Repairs—Based on Year 1930

Canadian Pacific Railway		Estimate for Combined Systems Operated as a Unit	
Total Expense.....	\$837,060	Total road mileage—35,946 at \$55.41 per mile of road.....	\$1,991,768
Road mileage.....	15,106		
Per mile of road.....	\$55.41		
Subsidiaries.....	40,445		
Total Expense.....	\$877,505		\$1,991,768

RAILWAY OPERATING EXPENSES

Shop Machinery—Based on Year 1930

	Canadian Pacific Railway	Total Combined Systems Operated Separately	Reduction on Basis of Loco. or Car Miles	Estimated Total Combined Systems Operated as a Unit
	\$	\$	Per cent	\$
Total Expense.....	1,306,630	\$2,885,166		2,651,383
*Proportion Loco. Mtce.—44.4%.....	580,144	44.4% 1,281,014	12.2	1,124,730
*Proportion Car Mtce.—55.6%.....	726,486	55.6% 1,604,152		
Divided on car mile basis:				
Freight.....	610,975	1,392,404	3.3	1,346,455
Passenger.....	115,511	211,748	14.9	180,198
				2,651,383

*Based on actual distribution at Angus shops.

EXHIBIT "H"
Page 5
(a)

RAILWAY OPERATING EXPENSES

Superintendence—Maintenance of Equipment—Based on Year 1930

	Canadian Pacific Railway		Estimate for Combined Systems Operated as a Unit		Remarks
	No. of Office Units	Total Expense	No. of Office Units	Total Expense	
Headquarters.....	1	\$165,402	1	\$285,550	Increased in proportion 16,658 miles Can. Pac. System to 35,946 miles of combined system, less 20%. Increased 10% on basis maximum production. Increased in proportion to number of office units. Increased in proportion to number of office units plus 23.6% account increase in division mileage from average of 559 to average of 691.
Main Shops (Angus).....	1	39,482	1	43,430	
Regions.....	2	130,592	4	261,184	
Districts and Divisions.....	27	300,368	52	715,010	
Subsidiaries.....	3	60,588			
		\$696,432		\$1,305,174	

EXHIBIT "H"
Page 5
(a)

RAILWAY OPERATING EXPENSES

Other Maintenance of Equipment—Based on year 1930

Account	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimates—Total Combined Railways Operated as a Unit	Net Savings	
	\$	\$	\$	\$	\$	\$	
Other Locomotives—Repairs.....		63,275		63,275	63,275		\$337,606 Maintenance of Express Equipment.
Motor Equipment of Cars—Repairs.....	18,234	227,015		245,339	245,339		
Floating Equipment—Repairs.....	90,448	232,593		323,041	314,541	8,500	
Miscellaneous Equipment—Repairs.....	7,526	362,391		369,917	369,917		
Injuries to Persons.....	164,270	385,303	2,211	551,784	446,648	105,136	
Miscellaneous.....	106,265	1,730,951	2,357	1,839,573	1,839,573		
Total.....	386,833	3,001,528	4,568	3,392,929	3,279,293	113,636	

NOTE: Canadian National figures include \$1,500,832 depreciation charges.

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

 No. 17

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

 WITNESSES:

Mr. C. E. Jefferson, Freight Traffic Manager, C.P.Ry. Co.
Mr. E. G. O'Brien, Freight Transportation Assistant, C.P.Ry. Co.
Mr. E. P. Flintoft, K.C., General Counsel, C.P.Ry. Co.
Mr. S. J. W. Liddy, Assistant Comptroller, C.P.Ry. Co.

EXHIBITS:

- No. 60.—Detailed development of railway operating expenses—Traffic Expenses—based on year 1930. (Supplementing statement appearing at page 424).
No. 61.—Estimated gain in gross freight revenues. (Supplementing Exhibit G at page 421).
No. 62.—Detailed development of railway operating expenses—Transportation Rail Line—based on year 1930. (Supplementing statement appearing at page 424).
No. 63.—Revised statement of reductions in passenger train miles. (Supplementing Exhibit B at page 417).
No. 64.—Detailed development of railway operating expenses—General Expenses—based on year 1930. (Supplementing statement appearing at page 425).
No. 65.—Detailed development of railway operating expenses—Dining and Buffet car service—based on year 1930. (Supplementing statement appearing at page 426).
No. 66.—Details of economies possible by unification—Miscellaneous Income items—(Supplementing item 3, Exhibit 49, at page 416).
No. 67.—Details of economies possible by unification—Colonization, Development and Insurance—(Supplementing item 7, Exhibit 49, at page 416).
No. 68.—Details of economies possible by unification—Interest on Released Stores and Track Material—(Supplementing item 8, Exhibit 49, at page 416).
No. 69.—Details of economies possible by unification—Interest on Reduction on investment in Equipment—(Supplementing item 9, Exhibit 49, at page 416).
No. 70.—Estimated savings foregone if mileage not abandoned.

OTTAWA

J. O. PATENAUE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

ORDER OF APPOINTMENT

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Coté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, June 1, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

C. E. JEFFERSON was recalled, and took the stand.

By Mr. Biggar:

Mr. Jefferson, you already have given evidence on one of the schedules of Exhibit 49, but you are now going to deal with the first item under traffic expenses. That is the third item in the top schedule on page 422 of the Proceedings, which is dealt with in detail in the schedule on the top of page 424?

—A. That is correct.

Q. Now you have, I understand, some figures similar to those we have already had in connection with other schedules?—A. Yes, sir.

Q. This statement consists, as before, of a single sheet separate from the rest, which reproduces the schedule at the top of page 424 of the Proceedings?

—A. Yes, sir.

Q. And then several sheets fastened together?—A. Yes, sir.

Q. They will be Exhibit No. 60. Now, will you go ahead and deal with these particular items? I think all the members of the committee have copies of Exhibit 60 before them, and you might go ahead and tell us about these figures. Are you going to deal with page 1 first?—A. I was going to refer to this loose sheet first.

Q. Right.—A. As Mr. Biggar stated, this loose sheet is a reproduction of the exhibit printed on page 424 of the record. I am dealing with the rail traffic expenses referred to in that exhibit.

Q. That is really just the first item?—A. No, but I think it would be easier for everyone to follow me if they would add at the bottom of this loose page the total of the rail expenses.

Q. Now, the Canadian Pacific system rail expenses were \$6,459,699, and the difference between that and the \$10,275,856, at the bottom of the first column, is the steamship expenses?—A. That is correct.

Q. And there are no corresponding figures in the second column to these steamship expenses?—A. Neither the second nor the third. But in the fourth column the rail expenses would be \$15,151,086.

Q. That is when it is confined to the railways?—A. Yes. And the estimated total combined railways operated as a unit, the rail would be \$9,375,569, and the net saving is \$5,775,517.

By Right Hon. Mr. Meighen:

Q. That does not include anything in relation to steamships?—A. No sir. That net saving of \$5,775,517, is 38 per cent.

By Mr. Biggar:

Q. It is 38 per cent of what?—A. A saving of 38 per cent in the rail traffic expenses.

Q. You mean it is 38 per cent of the \$15,151,086?—A. Yes sir.

Q. Now, to have those figures convenient would it not be wise to add a line to that loose sheet and make it part of Exhibit 60, so that if we say "Railway only," then we have a line of figures below anything that is on the loose sheet?

Right Hon. Mr. MEIGHEN: How would it be to read those figures for railway only?

Mr. BIGGAR: The first column is \$6,459,699; the fourth column is \$15,151,086 and the next column is \$9,375,569. And then under the last column, the saving column, that equals 38 per cent of \$15,151,086.

Hon. Mr. DANDURAND: The savings are what?

Mr. BIGGAR: They are 38 per cent of \$15,151,086.

The WITNESS: Yes. And I might mention, so as to be clear, that this "Steamship" means ocean steamships, not inland. Now this saving may be compared with the estimate of savings as made by the Canadian National system, as contained at page 486 of the record.

Mr. BIGGAR: We have the comparison right before us, have we not, on the page of Exhibit 60 that is numbered 1?

By Right Hon. Mr. Meighen:

Q. What is the saving in respect of this item of traffic?—A. The Canadian National estimate is \$6,800,000, that is 45 per cent.

By Hon. Mr. Haig:

Q. You do not show as much as they do, then?—A. No sir, not quite.

By Mr. Biggar:

Q. What is the basis for the distribution on the loose page of Exhibit 60 between steamship and rail? Are the rail expenses kept in different accounts or what?—A. I understand they are kept in different accounts, yes sir.

Q. Quite separate from the steamship?—A. Yes. And they have a different basis for different items.

Q. But the point is, what is the basis for the distribution of these figures between rail and steamship? How do you arrive at it?—A. That is an accounting basis; but as I understand it, it is the actual expenses of the rail and the steamship, by dividing each item of expense in a different percentage. That is some expense might be divided between the rail and steamship 50-50, some might be 10-90, and some might be 40-60.

Q. Is this done as a matter of routine?—A. Yes. It is not done by me.

Q. Is it always done? It is not done for the purpose of this inquiry?—A. No sir.

Q. It is always done?—A. Yes sir.

By Hon. Mr. Calder:

Q. Your books of account show these figures?—A. Yes.

By Hon. Mr. Robinson:

Q. You are furnished these figures? You do not have anything to do with the books?—A. That is right.

[Mr. C. E. Jefferson.]

By Mr. Biggar:

Q. Does that dispose of the page No. 1 in Exhibit 60?—A. I have not referred to page 1 yet.

Q. I thought that was what you were giving us?—A. Sheet No. 1 is merely a comparison under the four major headings of Superintendence, All Agencies, Advertising and All Other Expenses, of the savings as estimated by the Canadian Pacific in Exhibit H, page 424, and by the Canadian National, at page 486 of the record.

By Hon. Mr. Calder:

Q. That is under unification?—A. Yes sir. It is to show that we estimated under Superintendence, if you will, a saving of 39 per cent, that is the Canadian Pacific, and the Canadian National estimated a saving of 40 per cent. In All Agencies, the Canadian Pacific estimated a saving of 37 per cent, and the Canadian National, 47 per cent. In Advertising the Canadian Pacific estimated a saving of 45 per cent, and the Canadian National estimated 58 per cent. In All Other Expenses the Canadian Pacific estimated a saving of 29 per cent, and the Canadian National, 20 per cent. In other words, in every item except the last one, the Canadian Pacific estimate was a little less than the Canadian National estimate.

Hon. Mr. BLACK: That sheet explains itself.

Hon. Mr. DANDURAND: When figures explain themselves, I think we need not ask the witness to explain them to us.

Hon. Mr. BLACK: No.

By Mr. Biggar:

Q. That disposes of sheet numbered 1. What about the sheet numbered 2?—A. I might say that the rail traffic expenses include the cost to the railways of supervision and solicitation of freight and passenger traffic, including advertising and industrial development. The estimate made by the Canadian Pacific, of 1930, was determined after a careful and detailed study.

Q. We have heard that. Go ahead and tell us how these figures are arrived at on sheet 2.—A. Sheet 2 is the item of Superintendence, which embodies the expenses of headquarters, regional and district supervisory officers. We took the expense of the Canadian Pacific in 1930, \$1,204,616, and determined the amount that it cost the freight department, the passenger department and subsidiaries. Then the freight department was divided into headquarters, regions and districts, and the passenger department into headquarters and regions.

By Hon. Mr. Parent:

Q. Will you tell me if you arrived at those figures after a conference with the other people, or if the figures were arrived at separately?—A. Separately.

Q. Without one company consulting the other?—A. Yes.

By Hon. Mr. Calder:

Q. These are the figures submitted to the Duff Commission?—A. This is an estimate made by the Canadian Pacific.

Q. For the Duff Commission?—A. For the Duff Commission, yes sir.

By Mr. Biggar:

Q. But as I understand it, these details of the kind that we have been discussing in Exhibit 60 and previous exhibits were never before the Duff Commission?—A. I could not say as to that.

Mr. BIGGAR: I might tell the Committee that I have inquired and I have never found that they were laid before the Duff Commission. I would say they never were.

The WITNESS: My understanding is that that exhibit at the top of page 424 was filed with them.

Mr. BIGGAR: Yes, that was. But none of these details that we are now discussing.

The WITNESS: No sir.

Hon. Mr. CALDER: The Duff Commission never analysed those figures?

Mr. BIGGAR: I have gone through the records and I have never been able to find that the Duff Commission ever went behind the figures that are printed in our exhibits from pages 422 to 426, for instance.

Q. Will you proceed with sheet No. 2, of Exhibit 60?—A. Under the heading of "Passenger," there is no item for districts. That is because it is included in other accounts.

Q. Will you tell me how you get these figures for freight and passenger, and how you divide between the different heads under these two main heads? Why was "Headquarters" put down as \$70,000 and "Regions" at \$300,000, and so on? Tell us how you get at those figures?—A. Those figures under the heading of "Total Expense" are the actual expense as charged to the different heads in our accounts under "Headquarters," "Regions" and "Districts." Now, "Headquarters" is, we will say, the systems staff—

Q. Yes, we understand that. But these are the figures that were actually in your books for 1930?—A. Yes.

Q. Go ahead.—A. We added to the Canadian Pacific Railway total expense of \$1,204,616 the Canadian National rail superintendence expense, as shown in the exhibit at the top of page 424, of \$2,214,273, and also the Northern Alberta and Toronto Terminals Railways, \$7,140.

Q. I think we understand that. Is this division of Headquarters, Regions and Districts made on the same basis as in what we have already discussed? I think Mr. Armstrong discussed them first.—A. I merely wanted to say that we took the total combined railways operated separately at \$13,426,029 and apportioned it under the freight, passenger and these other sub-headings that I mentioned for the combined system operated separately in the same manner as the Canadian Pacific actual figures.

Q. How did you get from \$70,000 to \$130,000 for headquarters?—A. To go on with that, if I have made myself clear. We will take the first item, if you will, under freight headquarters. The total expense in 1930 for the Canadian Pacific was \$70,000. That is 11.63 per cent of the total of \$1,204,616.

Q. I see.—A. Then we apportioned the expense of superintendence, the traffic expenses for the combined railways operated separately of \$3,426,029, and found that the break-down for freight headquarters, using the Canadian Pacific apportionment, was \$206,675.

Q. That figure is not here.—A. No, sir.

By Hon. Mr. Black:

Q. Was the same method adopted right through, the combined costs of both systems, and then your results for the combined systems on the basis of the C.P.R. portion?—A. Yes.

Right Hon. Mr. MEIGHEN: That covers it all.

By Mr. Biggar:

Q. You have \$206,675. Now, what did you get from that?—A. From there we in our estimate considered that the one headquarters staff for the system

[Mr. C. E. Jefferson.]

under unification would be \$130,000. We arrived at that by knowing what our expense was.

By Hon. Mr. Horsey:

Q. According to mileage, or how did you get your unit?—A. You cannot have a unit for traffic.

Q. Just the proportion?—A. That is all.

By Hon. Mr. Haig:

Q. Eleven per cent of the total?—A. Yes. Then we considered the two operated as one would not cost as much as operated separately, and we had to make an allowance for additional staff for the—

By Mr. Biggar:

Q. What you are directing yourself to now is how you get that figure down from \$206,675, representing 11·53 per cent of that total of \$3,426,029, to \$130,000 in the last column.—A. There is no set basis for it except—

Q. Was it a percentage or a guess?—A. It is what we considered the expense of headquarters staff would be for the two railways operated as one, having regard to the fact that we would not need as much staff as we do now.

By Hon. Mr. Parent:

Q. Did you know the salaries of all these people so as to come to a deduction and make your figures?—A. No, sir. We knew our own.

By Hon. Mr. Calder:

Q. You used your own cost as the yard-stick?—A. Yes.

Q. If the Canadian National Railways did this business at a greater cost, you did not take that into account, you merely applied your own yard-stick to the combined mileage?—A. Yes.

Q. I wonder if that is fair.

By Hon. Mr. Murdock:

Q. And you estimate it would not take twice as much staff to handle the unified system?—A. Yes.

HON. MR. CALDER: The point, Mr. Biggar, is this. On their own system the expense, we will say, is 11 per cent; for the very same thing on the Canadian National it may have been 14 per cent. Now they eliminate that 14 per cent and they say, "If the railways are all put together we will apply 11 per cent to the total."

MR. BIGGAR: My understanding is that that is not what they did with the 11·53 per cent. They found their freight headquarters expense of \$206,675 represented 11·53 per cent of the total amount. Then they took off some \$75,000. I was asking the witness why it was \$76,000 and not \$50,000 or \$100,000. As I gathered from Mr. Jefferson, it was simply, as it were, a conjecture that \$76,000 was the proper amount to take off.

THE WITNESS: Yes, sir. We figured we could do it for \$130,000.

By Mr. Biggar:

Q. Will you go on to the next item?—A. That is regions.

Q. Yes.—A. The freight regions, of which we have two to-day, would be increased to four. That is in line with similar evidence of previous witnesses. We figured the four regions could be operated for \$550,000. That is not quite double the expense that the Canadian Pacific had for the two regions, but it is within \$50,000 of it.

Q. That was just a conjectural deduction too, I suppose.—A. Yes.

By Right Hon. Mr. Meighen:

Q. I suppose, Mr. Jefferson, part of your solicitation, and a very large part, would be solicitation of one road against the other?—A. Yes.

Q. Which of course would be eliminated under unification?—A. That is right. All of that comes into the picture because with four regions instead of two you might not have to have as many positions as double the two regions.

Q. I understand that. But there is less work to be done too.

By Hon. Mr. Calder:

Q. And very little solicitation at all?—A. There would have to be some, but not as much. For instance, in Canada, we will say, if you will, from Montreal to Toronto you would not have the rail competition; you would have the water and the highway.

Q. You would only solicit where trucks and steamboats on the lakes come into contact with you?—A. That is so far as that example is concerned, Montreal to Toronto; but take Chicago to Boston.

Q. Oh, yes.—A. There you would have to solicit in competition with the American railroads.

By Hon. Mr. Parent:

Q. Then you have the shipping lines from Quebec to Montreal.—A. Yes.

Q. You have their competition.—A. Yes.

By Hon. Mr. Black:

Q. Is not the competition for traffic to-day keener than it ever was? The competition is not between the railways, but between the railways and other transportation agencies. Is not that a fair statement?—A. It is both, but the competition between the trucks and the water is keener than it was.

Q. That is what I mean, it is keener and greater than the competition between the two railways.—A. Yes.

By Hon. Mr. Hugessen:

Q. Your only saving would be one soliciting organization instead of two?—A. Yes, sir.

By Hon. Mr. Côté:

Q. No railway competition and combined efforts against the common enemy?—A. That is true with respect to Canada, but not so true with respect to traffic moving from and to points in the United States through Canada.

By Hon. Mr. Parent:

Q. You arrive at an estimate for the combined systems operated as a unit. So far as the Canadian Pacific is concerned, under the heading Regions, you have \$300,000?—A. Yes, sir.

Q. Is that correct?—A. Yes, sir.

Q. Then when you come to the total savings, as a unit for both systems operated as a unit you come to the figure of \$550,000?—A. That is not the saving, that is the expense.

Q. Even so, what I want to come to is this. How do you know about the figures of the other system if you have not consulted with their representatives so as to arrive at a calculation of some kind?—A. We do know what their figures are only as to their total expense under the major headings of superintendence, agencies, advertising and other expense. If you look at this loose sheet that was distributed, you will see what the Canadian National traffic expenses were for those four headings in that year.

Q. That is what I wanted.

[Mr. C. E. Jefferson.]

By Mr. Biggar:

Q. Now, the third item \$231,720 for districts. How did you arrive at the \$401,545?—A. That item was determined in the same way, having regard to the Canadian Pacific cost in 1930.

Q. Is your figure in the last column thirteen-eighths of the figure in the C.P.R. column?—A. Not exactly.

Q. How much did you take off?—A. It is not examined in that way.

Q. How is it determined?—A. We determined it by knowing the Canadian Pacific expense was \$231,720. Then we had regard to increasing the districts from eight to thirteen, and what we considered the staff that would be necessary in those thirteen district offices.

Q. All right. How did you come to decide about how much you took off, thirteen-eighths of \$231,720?—A. Our district offices are generally—

Q. Your answer really is, Mr. Jefferson, that it was conjecture how much you should take off?—A. Yes, but we built it up.

By Hon. Mr. Horsey:

Q. Who made these figures, who came to this decision with regard to how much they would take off for unification? Who was the man that did it? If we could get him here we would know how he arrived at it.

Hon. Mr. CALDER: It strikes me we had that situation explained by Mr. Armstrong, where he stated there would be a saving which might be 10 per cent or 30 per cent, but that in endeavouring to arrive at what would be a fair amount, they fixed it at 20 per cent. He admitted it might be 10 per cent or 30 per cent, but he said, "We fixed it finally at 20 per cent."

Hon. Mr. PARENT: But he did not give the reasons why he arrived at that figure.

Hon. Mr. CALDER: He could not, as I understand.

Hon. Mr. PARENT: That is Senator Horsey's question.

Hon. Mr. CALDER: The same principle is applied in both cases.

Hon. Mr. CORÉ: It is not applied to the same question. Eight offices cost \$230,000 to the C.P.R., and one office would cost that much divided by eight. On the unified system we maintain thirteen offices, and the cost would be thirteen times the cost of one district. Is that the way you figured it?

Mr. BIGGAR: Mr. Jefferson said that when they multiplied thirteen by the unit of one office they took something off.

The WITNESS: In answer to Senator Horsey's question, we had eight districts that cost \$231,720. We are going to have under unification thirteen districts. I did not make these figures myself, but we determined on the staff that would be necessary in the thirteen districts, and what the expenses would be, and having considered all the factors that entered into it, the total result was that the estimated expense for the thirteen districts was \$401,545.

By Mr. Biggar:

Q. That is just telling us what is on the sheet. We are trying to get behind that.

Hon. Mr. HAIG: That is exactly in proportion.

By Mr. Biggar:

Q. Then, your answer should have been that the \$401,545 is thirteen-eighths of \$231,720?—A. Not exactly.

Hon. Mr. HAIG: It is a little more than thirteen.

By Mr. Biggar:

Q. Then, why do you add something? Why does it cost more per district to run thirteen districts than it does to run eight?

Hon. Mr. CALDER: That same question was asked before, and the additional amount was added because there was an increased mileage of railway in each of these districts.

By Mr. Biggar:

Q. Was that the reason, Mr. Jefferson?—A. I would not say it is based on mileage; it is based on judgment.

Q. According to Mr. Beatty's list of the officers who took part in the preparation of this estimate, you were one of the members of your committee who in 1932 dealt with this particular subject?—A. Right.

Q. Now, what about the fourth item, headquarters for passenger, which is \$55,000? Is it arrived at in the same way?—A. Those items were arrived at in a similar manner as I mentioned for freight, but they were actually computed by our former passenger traffic manager.

Q. Here you have deducted something as far as the regions are concerned, as you did before?—A. Right.

Q. And the subsidiaries were neglected, and the result is you get a total expense for the unified system of \$2,102,117, and deduct that from the \$3,426,029?—A. Yes, sir.

Q. That is the addition of the two railways; and you get a saving on the loose sheet of \$1,323,912?—A. Yes, sir.

Q. Now, can you go to the next sheet, numbered 3?—A. This sheet No. 3 is the rail traffic expenses for the outside agencies.

By Hon. Mr. Hugessen:

Q. What do you mean by "outside agencies"?—A. Sheet No. 3 shows Canada, the United States, Europe and the Orient. In Canada, for instance, under this statement No. 1, that includes only the headquarters and the regional and district organizations. "Outside" covers all agencies.

By Hon. Mr. Horsey:

Q. It means outside of Canada?—A. No. In Canada. Take Ottawa, for instance. We consider that an outside agency, because it only has charge of an immediate district. Edmonton is an outside agency.

By Hon. Mr. Hugessen:

Q. Outside what?—A. Outside headquarters.

By Hon. Mr. Coté:

Q. Do you mean outside of Montreal headquarters or district headquarters?—A. The Montreal office comes under headquarters—that is the system offices.

Q. But the general heading is "outside agencies"?—A. Yes.

Q. And under that you have agencies in Canada as well as in foreign countries?—A. Yes, sir.

Q. What agencies in Canada do you described under the title "outside agencies"?—A. To give an example, in Montreal part of the staff is outside agency. The soliciting organization is in the outside agency account.

By Hon. Mr. Calder:

Q. Outside the headquarters account?—A. Yes, sir.

[Mr. C. E. Jefferson.]

By Mr. Biggar:

Q. This is, as it were, the work apart from superintendence, outside of headquarters.

Hon. Mr. COTÉ: Then only headquarters are inside. Everything else is outside.

Mr. BIGGAR: Yes. The headquarters may be the system, the region or the district, but this is outside.

By Mr. Biggar:

Q. Now, go ahead, Mr. Jefferson.—A. The outside agency account is the largest item of traffic expense that is incurred in connection with the maintenance of soliciting and sales agencies, not only in Canada, but also in the United States, Europe, the Orient and Australasia. It should be made clear, however, that the account "all agencies" does not include the expense of ticket offices located in railway stations. It does, however, include uptown ticket offices or city ticket offices, as they are termed. Particularly in the United States and Canada, under the separate operation of the two systems there is necessarily involved much duplication in agency expense. In other words, there exists an economic waste in competitive effort which could be avoided. This could be accomplished with a much smaller agency organization which would adequately meet the situation under unified management without loss of traffic or without being detrimental to public requirements.

Following the survey made by the Passenger Traffic Manager and myself, through the medium of our traffic officers and outside agencies, an estimate was made of the cost under unification of such agencies throughout the world.

By Hon. Mr. Buchanan:

Q. Speaking of those outside agencies, is it the custom for both roads to have agencies in Japan, China, India or Europe?—A. Yes, sir.

Q. Or in cities in the United States?—A. Yes, sir.

Q. They are competing in centres in those countries and in the United States?—A. Yes, sir. Take Cincinnati, if you will. The Canadian Pacific has a freight office and a passenger office, and the Canadian National has a freight office and a passenger office.

Q. I know. But if the Canadian National Railways have an agency in Hongkong or Shanghai, what is it competing for if they have no steamships?—A. It is competing for rail haul on import and export traffic.

By Hon. Mr. Calder:

Q. After the steamboats arrive?—A. Yes, sir. The Canadian National have not any Atlantic or Pacific steamers but they have an organization in Europe to solicit traffic for rail.

By Hon. Mr. Horsey:

Q. And in Asia, too, in Japan?—A. Yes, sir.

Hon. Mr. HAIG: When the curlers came out from Edinburgh the C.P.R. fellows over there gave them all the particulars, and they got the business. We tried to divide it.

Hon. Mr. HORSEY: That is the Atlantic, of course.

By the Chairman (Right Hon. Mr. Graham):

Q. All railways have a system, apparently, which culminates in New York, and other large cities, under which there is one office in which you can buy a ticket to any railway?—A. Yes. I do not know if it is any railway.

Q. I am saying "any" because it includes both our railways. But it is really no use; you are not getting value for your money. I have gone through that office once or twice. They have men in that office who have no knowledge of the Canadian Pacific Railway or the Canadian National Railways or the Dominion of Canada. If it were not for fear of hurting the feelings of Senator Parent, I would tell him that I had to go in myself and ticket a passenger that they could not ticket to Three Rivers. If it had been to Quebec, of course they would have rebelled.

Some Hon. SENATORS: Oh, oh.

The CHAIRMAN (Right Hon. Mr. Graham): I do not think you are getting value for your money.

The WITNESS: You are speaking of consolidated ticket agencies.

By the Chairman (Right Hon. Mr. Graham):

Q. I do not know what they call them. They would sell a ticket to any place, but the young man I speak of was unable to buy a ticket to Three Rivers or any place where the name was printed in French.—A. The Canadian Pacific was not part of that office.

Q. Oh, yes. I must say now that I routed him over the Canadian Pacific connections myself.—A. Quite right.

By the Chairman (Hon. Mr. Beaubien):

Q. Have you any share in the agency of which Senator Graham speaks?—A. No, sir.

Q. It must be a private agency.—A. We are not a part of any of the consolidated ticket agencies. For instance, if it was Chicago, and they had a consolidated ticket agency, the Michigan Central would sell the ticket to a point on the Canadian Pacific Railway, but the Canadian Pacific would not assume any expense in connection with it.

The CHAIRMAN (Right Hon. Mr. Graham): I am pointing out that they gave this man "the hook" in that office. I am not asking for any commission. Having sold tickets for the C.P.R. once in my life, I routed this man to Three Rivers.

By Hon. Mr. Gordon:

Q. In New York each of the companies has an office of its own?—A. Yes, sir.

Q. Has each company got an office in Chicago?—A. Yes, sir.

Q. Evidently the Chairman did not go to either of those offices in New York.—A. If he had gone to the Canadian Pacific or the Canadian National office he could have bought a ticket.

Q. He did not go to either of them.

Hon. Mr. CALDER: I am afraid he went to a Yankee ticket office.

The CHAIRMAN (Right Hon. Mr. Graham): I was prowling around the ticket agencies and I saw this one advertising tickets to everywhere, and I found a Canadian trying to buy a ticket, but they didn't know where his destination was.

Hon. Mr. BLACK: I have a question that I want to ask at some stage, but I do not think this is the witness who will answer it. I do not think we need question the fact that there are duplicate agencies of both roads all over the world. That is one thing that has been brought out many times in the discussion of railway matters. These duplications should be cut out in the interests of economy, perhaps not necessarily under unification. I want an answer from a responsible party as to why they have not removed these duplications of ticket

[Mr. C. E. Jefferson.]

and freight offices and soliciting bodies all over the world. I think there is a great saving to be made there under unification, and I think there would be a large economy under co-operation.

Hon. Mr. COTÉ: But not competition.

Hon. Mr. BLACK: It seems to me the companies should get together on this unnecessary duplication. I want to question Mr. Hungerford and the Vice President of the C.P.R., maybe, on this point.

The CHAIRMAN (Hon. Mr. Beaubien): Let us go on with this witness, gentlemen.

The WITNESS: I just wanted to answer Senator Black's question.

The CHAIRMAN (Hon. Mr. Beaubien): He says he wants to have it answered later on, by someone else.

Hon. Mr. BLACK: If this witness wishes to answer it, all right. I think I know what he will say.

The WITNESS: I can answer it. So long as you operate separately and you compete, you have to have your separate offices. How would a joint office route the freight over a competitive area? Take an office in Kansas City, for instance. If you have a shipment going to Montreal, which way would it be routed, over the Canadian Pacific or the Canadian National? Then you have to remember that with regard to business moving, say, from Kansas City to Boston, you are soliciting that business in competition with all the American roads.

By Hon. Mr. Black:

Q. Would it be possible to zone your areas and allocate certain areas to the Canadian National and certain areas to the Canadian Pacific, so that one railway would solicit in some areas and the other in other areas?—A. I would say it could not be done, under competition.

Hon. Mr. ROBINSON: I do not think there is any warm desire to do it.

Hon. Mr. HAIG: Take this case as an instance. In Edinburgh twenty-one curlers want to come to Canada, to land at Halifax and go through to Edmonton and a number of other places and return to the Old Country.

Hon. Mr. PARENT: And lose a game in Quebec.

Hon. Mr. ROBINSON: It would be a simple matter to have them travel west by one road and return over the other.

Hon. Mr. HAIG: We curlers in Canada wrote to them and suggested that they come out by Canadian Pacific and go back via Canadian National. But in the meantime they had been solicited by the Canadian Pacific agent at Edinburgh, who told them all about the beauties of the Canadian Pacific route. They cabled us to cancel all arrangements, that they were going and coming by Canadian Pacific. This could not be done under a joint organization.

Hon. Mr. ROBINSON: I do not think that it is any use for Senator Haig and myself to argue that question. Or, is he chairman?

Hon. Mr. HAIG: My honourable friend has raised a question. If the Chairman will give me a seat elsewhere, I shall be glad to sit there. I asked him to give me a seat.

The CHAIRMAN (Hon. Mr. Beaubien): No quarrel.

Hon. Mr. HAIG: I would ask the Chairman again to give me a seat. Will Senator Robinson let me have his seat?

The CHAIRMAN (Hon. Mr. Beaubien): Let us proceed.

Hon. Mr. HAIG: I do not think that is fair. The honourable gentleman has raised a question. I will tell the honourable gentleman that I asked the Chairman to give me a seat, and Senator Graham said "I cannot give you

mine," and Senator Beaubien said "I cannot give you mine. Will you please sit down there and stay there." Is that clear to my honourable friend?

Hon. Mr. ROBINSON: Well, why don't you stay there?

Hon. Mr. HAIG: I am staying there.

The CHAIRMAN (Hon. Mr. Beaubien): We are losing a lot of time.

By Hon. Mr. Hugessen:

Q. Like Senator Black, I should like to ask you, Mr. Jefferson, or someone else, why the Canadian Pacific and the Canadian National cannot have consolidated ticket offices in the big cities of Canada, and save money thereby when the United States railroads have consolidated ticket offices in New York and other big cities.

Hon. Mr. CALDER: Pardon me for putting an aside. In the city of Regina for instance, there is one ticket office at the Union Station, but there are both Canadian Pacific and Canadian National representatives in that office. I daresay that so far as the building is concerned, what you refer to could be done.

Hon. Mr. HUGESSEN: That is just what I refer to. In some of the big towns in the United States, where they have a consolidated ticket office, each railroad has a department of its own. There is a label on the outside, showing that such and such a railroad is in one section of the office and such and such a railroad in the other section. I do not see why that cannot be done in this country.

By Hon. Mr. Buchanan:

Q. You would save rent, anyway, would you not, by that system?—A. If the Canadian Pacific and the Canadian National had a joint ticket counter, we will say—they have in the Toronto Union station, they have each a separate part of the concourse, where they sell Canadian National and Canadian Pacific tickets. They have separate staffs selling Canadian Pacific and Canadian National tickets. If you had consolidated ticket offices, you would still have to have your independent offices in all the cities, your administration and soliciting offices. I do not see, so long as the railways are operated separately, that you can have consolidated ticket offices where you compete in passenger traffic throughout Canada.

By Hon. Mr. Hugessen:

Q. They do in the United States.—A. Not so much so with competitive railways. Take in Boston, if you will. They have a consolidated ticket office for the Boston and Maine, the Boston and Albany and the New York and New Haven Railway; but it is all divided off, with the Boston and Maine staff here, and the Boston and Albany staff there, and the New York and New Haven staff in another section.

Hon. Mr. McRAE: There are enough men in those two ticket offices in the Union station at Toronto to sell all the tickets in Canada.

Hon. Mr. CÔTÉ: In either one of them?

Hon. Mr. McRAE: Yes.

By the Chairman (Hon. Mr. Beaubien):

Q. In either case, you say, you would have to keep separate staffs, and the only thing you could economize on would be the rent of the buildings?—A. Yes.

[Mr. C. E. Jefferson.]

By Mr. Biggar:

Q. Shall we go on to sheet numbered 3 of Exhibit 60? Will you tell us how you get at those figures, and the estimate for the combined systems operated as a unit?—A. The estimated cost for the combined systems operated as a unit was determined separately for passenger and freight by taking each office in the countries that I have shown in the left-hand column, and knowing what our expense was; and knowing what staff the Canadian National had, and with our knowledge of their general business, we determined what the cost would be in each place, as an estimate for the two roads operated as one.

Q. What considerations did you have in mind in getting at these figures?—A. The number required in each office, based on what our own staff was and what we considered would be necessary under unification, and of course also the abolition of some offices. As with regard to evidence given by Mr. McNeillie yesterday, we do not want to disclose the details of that statement city by city.

Q. But you went through the places, city by city, and determined what staff you would need there for the combined railways for the purpose of carrying on your competition with road and water and railways outside the country?—

A. Yes. Our position in that respect is not without precedent. Very often questions are asked in the House with respect to the Canadian National, and the answer is that the information is of such a character, either competitive or private, that it would be prejudicial if it were furnished.

Q. Quite. And the result of adding up the figures that you got in the way that you speak of, was to show that you would want for passengers a total of \$2,347,000 and for freight \$1,643,000?—A. Yes.

Q. Then, where do you get the figures in the last column?—A. The figures in the last column are just an addition of the figures in the fourth and fifth columns, the two preceding columns.

Q. Then you added them and they came to \$3,990,000, and you deducted from the \$6,328,688, in the loose sheet opposite "All Agencies"?—A. Yes.

Q. And you arrived at the saving of \$2,338,688?—A. That is right.

By Hon. Mr. Calder:

Q. Do those figures include rentals at all?—A. Yes.

Q. They include your cost of rent for buildings?—A. They include our rental costs for outside agencies, yes sir.

By Mr. Biggar:

Q. What about the sheet that is numbered 4, Advertising?—A. I would say that here again the larger portion of the expense incurred by each company is duplicated or partially duplicated by the other railway. This statement, I may say, was prepared by our General Publicity Agent, and the exhibit shows that the Canadian Pacific advertising expense for the year 1930 was divided 57 per cent duplicated advertising, 32 per cent partially duplicated advertising and 11 per cent exclusive advertising.

By Hon. Mr. Parent:

Q. Do both companies use the same advertising agencies?—A. I do not think so.

Q. How do you come to know the figures of the Canadian National for cost of advertising?—A. It is the third item on the loose sheet.

Q. I have that. But I want to know how did you come to know what it cost the Canadian National to advertise?—A. It is published in their annual report.

By Mr. Biggar:

Q. And then?—A. And knowing the total amount of the Canadian National advertising in the year 1930, we added the total for the Canadian Pacific and the Canadian National together, amounting to \$3,412,546 and apportioned it.

Q. You took the total of the exclusive advertising for both railways, \$393,467, you reduced the duplicated total by 60 per cent and got \$776,013, and reduced the partially duplicated total by 35 per cent and got \$701,381?—A. That is right.

Q. So that you get an estimated expenditure for advertising for the unified systems of \$1,870,861, which you deducted from the present total of \$3,412,546, and got a saving of \$1,541,685?—A. That is right.

By Hon. Mr. Côté:

Q. What is an example of exclusive advertising? Give us just one example.—A. Exclusive advertising to-day is advertising resorts at Banff, advertising in Australia; those are two examples.

Q. In Australia?—A. Yes.

Q. That would be for shipping?—A. And for rail too.

By Mr. Biggar:

Q. Can we take up page No. 5 now? There are savings here on only four items, are there not?—A. Yes.

Q. Will you take those successively? The first one is traffic associations, rail. How did you get at the \$88,251?—A. This sheet of all other traffic expenses covers traffic associations, industrial bureaus, and so on. This saving of \$88,251 in traffic associations, rail, was arrived at in this way. We considered that the combined expense of \$220,627 could be reduced to \$132,676, but there is no unit on which that was determined. It is an estimate of what we think by unification the figure could be reduced to, knowing what we pay into the maintenance of different traffic associations. There are a number of them.

By Hon. Mr. Calder:

Q. You would have one representative instead of two?—A. Yes, sir, that is right.

By Mr. Biggar:

Q. The next item is industrial bureaus. Is that arrived at in the same way?—A. That is arrived at in a similar way. We both maintain industrial bureaus in different offices in Canada, Montreal, Toronto, Winnipeg. Under unified operation we would only have to have one office in each place where there are now two.

Q. What about stationery and printing, rail?—A. That item covers largely freight tariffs, passenger tariffs, timetables, things of that kind. Under unified operation there would be a very large reduction in the size of those publications.

Q. How did you arrive at this particular figure of \$467,127 instead of the present expenditure of \$778,545?—A. We did not think the printing expense of the two railways operated as one would exceed the combined by more than 60 per cent.

Q. Is it 60 per cent you took?—A. Not exactly, it is pretty close to it.

Q. That is the way you got at it?—A. Yes, sir.

Q. You took approximately 60 per cent?—A. Yes, sir.

Q. I was rather interested in the fact that the expense is not to be \$460,000, or even \$460,100, but exactly \$467,127. I wondered if that had been got at on a percentage basis.—A. Not exactly, but we figured, taking our business competitive and non-competitive, that about 60 per cent was competitive movement and 40 per cent non-competitive.

[Mr. C. E. Jefferson.]

Q. You told me you did not take 60 per cent.—A. No.

Q. The fourth one is other expenses, rail. What do those represent, and why this estimate of \$118,730 instead of \$197,884?—A. I don't know just what that item includes.

Q. You do not?—A. No, sir.

Q. Who will be able to tell us?

Hon. Mr. PARENT: It may be a party fund.

The WITNESS: Mr. Liddy can tell you just what that item includes.

Hon. Mr. McRAE: Mr. Liddy can probably tell us why there is a wide discrepancy between the two railway companies, and also why he reduced the expense to \$118,000 under unified management, which is less than the National Railways are now paying by about a third and more than four times what the C.P.R. are paying. It seems to me that this item of reduction is hardly in keeping with the preceding one.

By Mr. Biggar:

Q. Then you have \$571,232 of total savings there, and you bring that into the loose sheet, and your result is a saving on the traffic expenses of \$5,775,517?—A. Yes, sir.

Q. Is there anything further you have to add in regard to that economy?—A. No, sir.

Hon. Mr. DANDURAND: When we have some representatives from the Canadian National to explain their activities in respect of colonization, agricultural and natural resources, totalling \$541,110, we shall be interested to know something about the Canadian Pacific's activities under this head. I see nothing in the Canadian Pacific column.

Right Hon. Mr. MEIGHEN: I do not agree with what Senator Black said as to the number of ticket agents in Toronto. I am at the Union Station a great deal—I suppose, like many others, I am there just before the train goes—but not once in twenty times have I tried to get a railway ticket or berth accommodation that I have not had to wait. They are all quick, courteous and efficient; and I do not know the name of one of them.

Hon. Mr. BLACK: I made no comment with respect to their efficiency and courtesy. I directed attention to their number.

Right Hon. Mr. MEIGHEN: I am sorry if I misunderstood my honourable friend. I have found both the Canadian National and the C.P.R. staffs equally courteous and efficient.

Hon. Mr. MURDOCK: That is my view too.

By Hon. Mr. Buchanan:

Q. I notice you have no amount under the item of colonization, agricultural and natural resources, for the C.P.R. You have a department of that kind. Is not that to be considered under unification?—A. That is to be dealt with by Mr. Liddy.

By Hon. Mr. Hugessen:

Q. Have you made, Mr. Jefferson, an attempt to bring this estimate of 1930 up to 1937?—A. No, sir, I could not do that without making a complete resurvey.

Q. I understood from a previous witness that there had been certain co-operative economies already effected by joint advertising since 1930.—A. That is right, yes, sir, but I understand that item is not a large one. It is \$13,000 a year. That is all that is involved in that joint advertising account.

Q. Have you made any investigation as to whether the railways separately have not effected a considerable economy under railway operating expenses be-

tween 1930 and 1937, apart from unification?—A. They have, yes, sir, by reason of much lighter traffic movements.

Q. I notice, for instance, in 1930 the Canadian National expenses on that item were \$8,600,000; in 1937 they had gone down to \$4,900,000 odd.—A. What item is that, sir?

Q. You show on your loose sheet that in 1930 the Canadian National traffic expenses were \$8,600,000 odd.—A. Yes.

Q. I see by their annual report of 1937 that those traffic expenses for 1930 have gone down to \$4,900,000 odd. Take advertising, for instance; their expenses for advertising in 1937 were \$580,000, as against the figures in 1930 of \$1,800,000.—A. In connection with advertising, in 1930 they had a radio expense, in 1930 they did not. That is one item.

Q. That should come off then in the revised estimate?—A. Yes, sir.

Q. But you have not made any attempt to revise your estimate of 1930 in the light of present day conditions, taking all those things into account?—A. No, sir. My view on that is this, that with traffic movements back to 1930 the traffic expenses would undoubtedly be increased. They might not be increased right back to the 1930 level, but the Canadian Pacific traffic expenses would be increased pretty close to what the 1930 figure was.

Q. Would the advertising expenses increase proportionately?—A. The Canadian Pacific, yes; the Canadian National, perhaps not. But whatever the figure would be of the combined systems operated separately, my view is that the savings from total expenses will be anywhere from 35 to 40 per cent.

By Hon. Mr. Robinson:

Q. There is a very large saving shown already?—A. Yes.

Q. I think between three and four million dollars, is it not?—

Hon. Mr. HUGESSEN: Yes; nearly \$4,000,000 on the Canadian National.

By Hon. Mr. Robinson:

Q. Nearly 4,000,000 already on the Canadian National alone.—A. Yes, but even if you unified on the 1937 organization, I think you would save at least from 35 to 40 per cent.

Q. Over 1930?—A. No.

Q. But it has already saved a good deal apparently.—A. You save that much more.

By Hon. Mr. Hugessen:

Q. What I was getting at was that a good deal has been already?—A. Yes.

Q. And should be taken out of any estimate you make to-day?—A. You have to bear in mind that in 1937 the wages were not on the 1930 level. That is one item.

By Hon. Mr. Horsey:

Q. It means \$75,000,000 could not be saved on the 1937 account?—A. Yes, sir.

By Hon. Mr. Murdock:

Q. Mr. Jefferson, were not wages lower in 1937 than in 1930?—A. Yes, sir, that is what I said. But the restoration is now back.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Jefferson, there have been economies by both railways between 1930 and 1937?—A. Yes, sir.

[Mr. C. E. Jefferson.]

Q. But I understand that your testimony bears on economies that could be made by the suppression of duplication?—A. That is right.

Q. Those economies of course could not have been made by the two railways separately between 1930 and 1937 because duplication still exists: is that right?—A. That is right.

Hon. Mr. HUGESSEN: I was pointing out, Senator Beaubien, that with respect to one item on the Canadian National, radio, which is reflected in the 1930 figure, that economy has already been made, and cannot be made again.

Right Hon. Mr. MEIGHEN: That is right.

By Hon. Mr. Calder:

Q. But in addition you make this statement, as I understand you, Mr. Jefferson. If we take into account what was actually expended in 1937 on both railways your evidence is that, no matter what that figure is under a system of unification, you feel there can be a reduction on those figures of from 35 to 40 per cent?—A. That is my statement, yes, sir.

Q. That is, no matter what has taken place during the years 1934, 1935 and 1936, the expenditures last year are "A" plus "B", and if the lines are thrown together and managed together there can be a reduction of from 35 to 40 per cent?—A. Yes, sir.

By Hon. Mr. Horsey:

Q. But the total would be much less than \$75,000,000?—A. The amount of saving would be less.

Hon. Mr. CALDER: It is not \$75,000,000, it is only part of that.

By Mr. Biggar:

Q. At page 710 of the Proceedings, Mr. Jefferson, you were dealing with another schedule, and you said that there was a certain tonnage, for which I asked you, but that you hadn't got it here.—A. Yes, sir.

Q. Have you got those figures now?—A. Yes, I have.

Q. Have you that in the form of a statement?—A. Yes, sir.

Q. This covers the information about the number of tons, the amount per ton and the gain in revenue, on which you based the evidence you gave the other day?—A. Yes, sir, that is right.

Q. I think it would suffice if we just marked this as an exhibit. All the details are there. This short memorandum will be Exhibit No. 61.

Thank you very much.

The CHAIRMAN (Hon. Mr. Beaubien): Next witness?

E. G. O'BRIEN was recalled as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. O'Brien, you were going to deal with another of these schedules Exhibit 49?—A. Yes, sir. My submission will be in connection with the item of \$23,000,000 of savings in transportation rail line, based on the year 1930.

Q. That is the fourth item in the statement at the top of page 422 of the proceedings, and the details are given in the table at the bottom of page 424?—A. Yes, sir.

While the sheets are being distributed I should like to explain the manner in which they are grouped. It might save time.

Q. We have here, as usual with these statements, a loose sheet reproducing the tabular statement at the bottom of page 424, and then we have a large

number of added sheets which constitute the new material, and which will be Exhibit No. 62.—A. Right.

Q. This is a formidable looking document, Mr. O'Brien. I think you might summarize what you have to say about it.—A. I think I can give it in very short time—

Q. Good.—A. —if you will accept the statement that the figures are compiled very much on the same basis as those explained by Mr. Armstrong and Mr. Newman yesterday. We have identified them with the exhibit, and would point out the manner in which these sheets are put together.

The top sheet is what might be termed a master sheet, and shows the cost on the Canadian Pacific, on the Canadian National and on the combine railways.

Q. That is a reproduction of the tabular statement on page 424 of the Proceedings?—A. Yes, sir.

Q. We are not going to reprint that.—A. Then each item in the left hand column has detailed sheets attached below. Those sheets are grouped so that they can be identified with each of the items on this master sheet. Exhibit "H", page 9.

Now, to come immediately to the details, under the headings of superintendence we have to assume or to provide for a set-up, and this was explained by Mr. Humphrey yesterday. It is Exhibit "F". We had to have some organization on which to base cost. That organization is shown on the series of sheets. Exhibit "F", pages (a) to (d).

Q. It is called "Page 9," isn't it, "(a), (b), (c), (d)", and so on?—A. No, sir. Exhibit "F" is the present and proposed supervisory units.

Q. I follow.—A. With this organization, which had been decided upon at that which would be necessary for the operation of the combined railways, we took the units which it was figured would be required, and we calculated the cost. This is shown on page 9 (a). In other words, in Exhibit "F" there was shown one system headquarters, four regions, eight districts, twenty-seven divisions, and three subsidiaries. In connection with headquarters, the cost of the Canadian Pacific was known, and this was increased on the basis of mileage, less 20 per cent. That is indicated in the remarks column.

Q. And I think those, roughly speaking, correspond to the remarks in the same position on the statement Mr. Armstrong gave?—A. Exactly.

If you will come to regions next, sir, that is covered on the same basis except that the cost of the Canadian Pacific two regions was doubled for the four regions.

Q. That whole sheet No. 9 (a) was done on the basis Mr. Armstrong has explained?—A. Yes.

Q. Yes?—A. The next sheet is 9 (b), the cost of despatching trains. There is not very much detail in this sheet, but possibly I had better explain. That is to say, the information as to the 20 per cent reduction has no connection with any arbitrary 20 per cent reduction, but a survey was made under the general superintendents of transportation, all of whom were despatchers, and the information was available in the working time-tables. This actual reduction was 19.9 and some per cent, and it was taken arbitrarily at 20 per cent.

By Hon. Mr. Parent:

Q. You mean that in 1930 it was arrived at arbitrarily?—A. No, sir. The exact calculation was 19 and a decimal per cent, and the round figure was taken as 20. But that is not the 20 per cent that is used in some other calculations. This is indicated clearly in section "F".

By Mr. Biggar:

Q. What is section "F"?—A. Exhibit "F", page (d).

[Mr. E. G. O'Brien.]

Q. I think all we want to know is how you made a survey with respect to the question of despatching, and how you arrived at a reduction of 19.9 and something per cent?—A. No, sir, it is 19.3. In 1930 there were 452 despatchers on both systems, and after a study of the increased mileage as described by Mr. Armstrong, we estimated that it could be handled with 365 despatchers, and that is a reduction of 19.3 per cent, and 20 per cent was taken as a round figure.

Q. Right.—A. The next sheet is Exhibit "H", page 9 (c), transportation, station service. The information in this sheet was developed by a very extensive study. The general managers instructed the general superintendents to have the superintendents make an estimate of the amount of what it would cost to operate stations that were duplicated in any town. The superintendents secured as much information as they could from their co-workers in the Canadian National, and where we were able to secure information as to the cost of operation, it was used as a basis, and the total expenses at these specific stations for the Canadian National and the Canadian Pacific are shown under the heading "total," in the first line. Then the superintendent, who is very well qualified to know the local conditions, made an estimate of what it would cost to operate those stations as a combined unit. The details for each station are shown on the sheets underneath.

Q. Numbered?—A. On sheets 9 (d), to 9 (d-12).

You will note on these sheets that the specific stations at which the study was made are shown first; then the stations which would be eliminated due to line abandonment, and the balance of the stations at which no studies had been made, and as to which we did not have the information.

By Hon. Mr. Coté:

Q. Did you estimate what it would cost to merge these stations, to unite these stations?—A. The superintendent made an estimate of what it would cost to operate.

Q. No, but to merge them. If you use one station instead of two, in any locality, you have to make connections for the two lines.—A. That is a co-operative matter that was handled by another witness, sir.

By Right Hon. Mr. Meighen:

Q. Was this on the basis of maintaining the present station services?—A. Retaining them?

Q. On the basis of no new capital invested for union stations?—A. It is an estimate of what it would cost to handle the business in the various towns with a unified system of railways.

Q. But not involving new capital investments in union stations?—A. Not necessarily, not at all. There would be no capital investment. If there had been a necessity for capital investment, they would have told us, but there was none.

By Mr. Biggar:

Q. And this is based upon using the facilities that exist?—A. The facilities that exist and are available on either one road or the other.

Q. And not necessarily making union stations all over?—A. Under unified management there would be no question of unified stations. They would select the most suitable station for the handling of the business of the unified railway.

Q. But the difficulty that I think Senator Meighen and Senator Coté feel, and that I feel, is this. There are a great many places in Canada where you could not possibly make a union station without very considerable capital expense. What happened in those?—A. If you still had the two facilities available, sir, I cannot conceive of any place where you would have to make capital expenditure.

Q. That is what I want to know. Was it on the basis of using both stations—A. In some cases they would use both stations; in other places it would not be necessary. But the local superintendent estimated what he could operate the combined properties for, on the basis that he could use the facilities of the combined properties.

Q. And without capital expenditure?—A. Necessarily without capital expenditure.

By Hon. Mr. Hugessen:

Q. Let us take one example.—A. There is another witness who covers that. There might be some track connections, or conditions of that kind—

By Mr. Biggar:

Q. But I mean, no substantial expenditure?—A. The question of maintenance and buildings and that kind of thing has already been covered by Mr. Armstrong. This covers only the station services and is limited to the station employees, station supplies and expenses and matters of that kind.

By Hon. Mr. Calder:

Q. It does not cover buildings at all?—A. No sir. It just covers personnel and supplies.

By Mr. Biggar:

Q. It may be that I am stupid, but I do not follow you yet. You have got two conditions. You have got the condition that obtains at a given place where if there was unified management of these two systems you could run all the trains into one station and make it a union station and let the other go; you have another extreme situation, where it is very difficult to put the trains of either system into the station now operated by the other, and it would involve a very considerable capital expenditure to do so.

Hon. Mr. MURDOCK: Take Montreal, for example.

Mr. BIGGAR: Or Winnipeg.

Q. Now what we really want to know is, take these two conditions, on what basis with respect to places of those two kinds was this estimate of service made? Was it made on the basis that in the first class of case you only had one station, because it was easy to use one, and in the other class of place that you continued to use both stations, because you would have to do that without making a capital expenditure? Or, was it on some other basis?—A. The estimate of the cost of operation was made by the local superintendent, and he, knowing the facilities available, had in his mind how the business would be divided. In the case of Montreal, the local superintendent would know that possibly under the schedule maintained he might not run all the trains into one station, but he had in mind that he had both facilities available and they would be used. As to the cost of buildings or other facilities—

Q. Never mind the cost of buildings. But what were the instructions to the superintendents on which they made their reports? Were they that they were to let you know what would be the expense that would be incurred if you had unified management, without any substantial capital expenditure?—A. No sir. The superintendents were asked to supply information as to the cost under unified management under the heading of station employees and station supplies and expenses.

Q. But that does not answer my question.

Right Hon. Mr. MEIGHEN: I think it does.

[Mr. E. G. O'Brien.]

By Hon. Mr. Hugessen:

Q. On this item, your total saving was about \$790,000, of which nearly two-thirds is for Montreal alone, \$537,396. Can you give us any idea as to how that was arrived at, how you were dealing with the different stations at Montreal in making that estimate?

Hon. Mr. PARENT: What page is that?

Hon. Mr. HUGESSEN: Page 9 (d-3) of Exhibit H.

The WITNESS: There is no capital expenditure involved in this study. And secondly, the expenses for station employees and station supplies on each of the railways for each of the separately operated railways, was ascertained, and we then secured the combined expense. An estimate was made by the superintendent as to what staff would be necessary if all of the freight or the passenger service could be distributed as he would do it were he in charge of the unified railway. He then gave us the figure that he thought would cover these two items of station employees and station supplies and expenses, a total cost of \$2,184,770.

By Hon. Mr. Calder:

Q. Bearing in mind that he is only dealing with personnel and supplies?—A. Personnel and supplies.

Q. Not with buildings at all? No matter where the personnel was located, this is his estimate of the cost?—A. That is all that is considered.

By Mr. Biggar:

Q. That is really as far as you can carry us on that point, is it not?—A. Yes. That is the basis on which we worked out the general question of station service.

By Hon. Mr. Parent:

Q. May I ask a question with regard to Quebec city? I understand the station there is common to both railways. Can you give us any explanation as to how you can make savings there, when you are presently using the same station?—A. There are separately operated freight stations. Therefore there was there an opportunity for co-operation and saving in cost.

Q. And two ticket offices?

By Mr. Biggar:

Q. How far have you got with page 9 (c)? Have you finished with the \$3,470,950?—A. Before I tie that in I would like possibly to correct something. The net saving on page 9 (d-1) is shown for three specific stations. Then the saving for the stations on lines to be abandoned is shown. You will note there is a bottom line showing "Unallocated." In the case of these unallocated stations, or stations for which we had no information, there is no saving shown; that was not calculated. That covers the stations for which no savings could be effected, individual stations.

Q. You mean you examined all the stations, but as to the remainder of the stations you thought that no savings could be effected by unification, and therefore you made no entry with regard to them at all and limited your figures to those in respect of which there was a saving?—A. Right, yes, sir.

Q. Does that complete sheet 9 (c)?—A. There are a number of sheets attached in that group and they are all on the same basis.

Q. But have you now said all you want to say in support of that figure of \$3,470,950?—A. The only point I would like to call attention to, on the summary sheet, 9 (c) is that under the Canadian Pacific heading the savings

are almost equally divided between stations for which studies have been made, \$6,264,346, the third column, and the unallocated stations, for which no saving is shown, are about equal. In the case of the Canadian National, the sixth column, the total for specific stations is \$6,184,956, whereas their total for unallocated stations is \$12,288,141. The study was made of only about one-third. We feel that if we had further information, it would have increased the total savings.

By Hon. Mr. Dandurand:

Q. But these are the result of your own studies, made by the Canadian Pacific?—A. The result of studies made by men located in different territories.

Q. But belonging to the Canadian Pacific?—A. Belonging to the Canadian Pacific, but they had very definite information as to costs.

By Mr. Biggar:

Q. Perhaps we are trying to deal with too many points at a time. The point that you were seeking to make there was, as I understand it, that when you looked at the unallocated and other figures with regard to Canadian Pacific stations you had reports and knew of the savings in something more than fifty per cent of all the Canadian Pacific stations, whereas with respect to the Canadian National you only had reports in respect of places that had 33 per cent of the Canadian National stations, and there were 66 per cent of the Canadian National Stations that were unallocated and in respect of which you thought you might have further information? Is that the point you were making?—A. These studies of specific stations were only made where we had the information—

Q. Is that the point that you were making, in calling attention to the difference?—A. Yes, and the savings might have been greater had we further information.

Q. That disposes, then, of that figure, which is carried into the loose sheet?

Hon. Mr. CALDER: Colonel Biggar, I should like to get some explanation regarding that figure 11 per cent, at the very tail end of page 9 (c).

By Mr. Biggar:

Q. With regard to the figure at the lower right-hand corner of sheet 9 (c), 11 per cent, I gather that it represents a saving of 11 per cent of the total combined expense of the railways operated separately, \$31,664,976. Am I right?—A. Eleven per cent is the derived percentage which is applied to the total of the combined railways.

Q. \$31,000,000 odd?—A. Yes, sir.

By Right Hon. Mr. Meighen:

Q. Did you apply 11 per cent, or ascertain what you thought you could do the business for and found out it was 11 per cent?—A. If you refer to that page 9 (c) you will note the savings are all shown opposite the stations for which specific studies were made.

By Mr. Biggar:

Q. The \$3,470,950, and then you found it was 11 per cent of the \$31,000,000 odd?—A. Yes. That was put down on our working sheets for information only.

Hon. Mr. CALDER: It seems to me there is only one point there to be made absolutely clear, and that is the correctness of the \$31,240,655 of combined expenses.

Mr. BIGGAR: That, of course, is a Blue Book figure.

[Mr. E. G. O'Brien.]

Hon. Mr. CALDER: Yes, the total expenses of the two roads joined together. The total saving of that is only 11 per cent. It seems to me it is beyond question.

The CHAIRMAN (Hon. Mr. Beaubien): If the total saving turns out to be only 11 per cent of what is now the expense of operating the railways separately.

Mr. BIGGAR: As far as stations are concerned.

Hon. Mr. CALDER: Yes.

Mr. BIGGAR: You are pointing out that 11 per cent is quite a small portion.

Hon. Mr. CALDER: I would anticipate a very much larger saving than that.

The WITNESS: The 11 per cent is the relation that the savings we were able definitely to establish bear to the total expense; but had we information from additional stations it would have increased this saving of \$3,470,000 odd, and therefore have made that percentage higher. Consequently it is very conservative.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. O'Brien, I understand your study of this covers between one-third and one-half of the total of the two railways: is that right? A little more than half of yours and only a third of the Canadian National?—A. It is one-half of the expense of such stations. There may be a good many large stations. It is not one-half of the stations, it is one-half of the expense.

Q. Say 40 per cent of the whole; and that after calculation shows you can save 11 per cent?—A. Yes, sir.

Q. Well, now, it leaves an open field of 60 per cent, which of course you have not examined?

Hon. Mr. DANDURAND: But I draw attention this fact—

The CHAIRMAN (Hon. Mr. Beaubien): I want to get an answer from the witness.

Hon. Mr. DANDURAND: I should like the answer to be quite clear. I draw the chairman's attention to this fact. The Canadian Pacific total unallocated is \$5,781,601—not very far from half of the amount. Has that been tested? It is C.P.R. property that has been left as unallocated. Is it because there is no saving there?

Right Hon. Mr. MEIGHEN: Yes, I think in the main it is on the C.P.R.

By the Chairman (Hon. Mr. Beaubien):

Q. That is not it, Mr. O'Brien. It is easy to understand. You have studied a little more than half of your own railway as far as stations are concerned.—A. As far as expense of stations is concerned.

Q. Is that right? The balance, say 49 per cent, you have not studied or you could not study: is that right?—A. There would be a great many stations at which there is no duplication of separate lines, and therefore there was no opportunity of consolidating stations. In so far as we could get where there are duplicate stations, we took the expense at those stations, which represented \$6,000,000 in so far as the Canadian Pacific was concerned, or half of our station expense. Then we secured so far as was possible the Canadian National expense at the stations in those same towns where we could get it. In other words, where we could compare stations we compared expenses.

By Hon. Mr. Parent:

Q. That is all over the country?—A. We could not get it all over the country. There were some places where we could not get it. We got it where we could.

By the Chairman (Hon. Mr. Beaubien):

Q. Do I understand there was a large portion of the field in that respect of both railways that was not explored?—A. Quite a large portion of the field was

not explored. The extent of that study is indicated in the sheets, which show for example in the Maritime Provinces there are three stations in that comparison of \$6,000,000.

Q. What page?—A. Page 9 (d) 1. Under unification we made a study of stations at Saint John, Fredericton and Edmundston. There are a great many other stations at which there were duplicate facilities, yet they are not included in that study.

By Hon. Mr. Hugessen:

Q. What other stations?—A. In that district there would be Grand Falls, St. Leonard—all on that line north. From Edmundston south a great many of those stations are duplicate.

Q. That has been done?—A. Not so far as 1930 is concerned. I should like to come to that later.

By Hon. Mr. McRae:

Q. Mr. O'Brien, does not the unallocated largely cover non-competitive stations where you could not find any chance for saving?

Hon. Mr. HAIG: I think Senator Dandurand covered it.

The CHAIRMAN (Hon. Mr. Beaubien): We will find out.

The WITNESS: Apparently my remarks were not clear. The expenses of Canadian Pacific stations are definite expenses. At the Canadian National stations we secured, in so far as we could get it, definite information. At some of these cities where we were making comparisons we had to estimate the cost where we could not get the figure definitely. Therefore the point I wanted to bring out in connection with the \$6,000,000 and \$12,000,000 was that that estimate was very conservative.

Hon. Mr. CALDER: I think the main point, if you could justify it, is briefly this. According to the official figures, as shown by the Blue Book, the combined cost for these services was \$5,305,785.

Right Hon. Mr. MEIGHEN: For what services?

By Hon. Mr. Calder:

Q. I want that cleared up. Where is the \$31,000,000 carried forward on the front sheet?—A. Under the fourth column.

Q. The official figure is that for these station services,—I was talking of superintendence—the expenditures for the year 1930 were \$31,664,976, operated separately. Now, then, the total savings are represented at \$3,470,950. That is a saving of 11 per cent of the total actual expenditure in the year 1930?—A. Correct.

Q. I do not think we shall ever get anywhere if we attempt to analyse these figures and break them down. Our own common sense tells us that if the two railways are thrown together and operated together, there will be a saving in the operation. It may be 11 per cent, 9 per cent or 15 per cent, but there will be a big saving. There is no question about that. To attempt to get at an actual figure, or to attempt to find out how these officials got at that figure,—well, we shall never be able to do it. That is my opinion.

By Hon. Mr. Parent:

Q. Mr. O'Brien, following Senator Calder's remarks, I understand the figures you arrived at are based on the year 1930?—A. Yes.

Q. Does it mean that you have made your calculations up to date based upon 1930, that is, what is cost in 1930?—A. All of these studies are based on 1930.

[Mr. E. G. O'Brien.]

Q. They are not of to-day?—A. Traffic is changing. We have taken 1930 as normal year.

By Hon. Mr. Calder:

Q. But, Mr. O'Brien, I come back to what I said in reference to another item. No matter what the figures are for the year 1937, and no matter what savings have taken place between 1930 and 1937, if the two combined railways are thrown together in 1938 there are going to be savings on the 1937 figures.—A. There must necessarily be.

Q. Sure.

By Hon. Mr. McRae:

Q. Mr. Chairman, I should like to get my point cleared up. The unallocated station services of \$5,310,928 on the Canadian Pacific include practically all non-competitive stations. I presume that because in following it we go along in detail here with the competitive points where economies are effected.—A. That is correct, sir, because—

Q. Then I want to ask this question. While we can work out 11 per cent on the total, as a matter of fact on the competitive points it would appear to me to work out around 20 per cent saving instead of 11 per cent.

The CHAIRMAN (Hon. Mr. Beaubien): On the C.P.R.

Hon. Mr. CALDER: On the basis of their figures.

Hon. Mr. HAIG: That is true of Montreal and of Winnipeg and Toronto.

By Mr. Biggar:

Q. Mr. O'Brien, you had better go on to the next item.—A. The next item, sir, is covered by Exhibit 9 (e), transportation, yard service.

Q. Yard service?—A. Page 9 (e). There is a summary of the sheet at 9 (f) 1 to 9 (f) 6.

Q. I see. Will you tell me generally how this sheet 9 (e), yard service, is arrived at?—A. This was made in the same manner as in the case for employees and supplies at stations. That is, it was made by the superintendent in charge of the district.

By Hon. Mr. Parent:

Q. Under the best information available to him?—A. That he could get, plus his knowledge of the local conditions.

By Mr. Biggar:

Q. And it worked out, apparently with regard to each of these classes or heads of expenditure, at exactly the same percentage reduction?—A. I am informed, sir, that works out at 15 per cent for yard services.

Q. You said that these figures had been based on figures obtained by the superintendents from the information they could obtain—that is the figures in the last column but one. Now, in between that and the figures with regard to the combined systems operated separately, you have a column in which 12·2 per cent occurs uniformly with respect to every item. I wonder how it happens that all those gave you the same percentage reduction.—A. These detailed studies were summarized, and the average for all the studies was worked out on the basis of 12·2 per cent, and that was applied to these accounts.

Q. That is to say, you took all your returns and found that you got a 12·2 per cent decrease, and then you applied that to each of these figures in the first column?—A. Yes, sir.

Q. And you got to a net saving of \$3,535,110 in respect of yard service?—A. That is correct, with one qualification. That 12·2 per cent study was developed in connection with the four major accounts which are shown on page 9, (f-1)—“Yardmasters and yard clerks,” “Yard conductors and brakemen,” “Yard enginemen,” and “Fuel.” The study was made on those four items, and the percentage of reduction which developed was applied to the balance.

Q. And what do you say with respect to the calculation about the other big item of \$758,412 for fuel for yard locomotives? I see a note to the left that perhaps deals with that.—A. This is an additional amount which was shown as a saving. That was information that the Superintendent would not have, and we took it independently in the head office.

Q. Did you apply this 12·2 per cent to that big figure with regard to fuel for yard locomotives?—A. Yes, sir, that is the sixth item.

Q. Was that an applied percentage or a calculation included with the other four?—A. That is a derived percentage.

By Hon. Mr. Côté:

Q. Mr. O'Brien, I want to ask you the same question in connection with yard services that I asked in regard to stations. Do these savings involve the abandonment of some yards at present used, and the joint user of the remaining ones, or do they simply involve the savings you can make by all the facilities being available under one management?—A. It involves the operation of the terminal in the manner in which the Superintendent would handle it if he were in charge of both properties.

Q. Retaining all facilities?—A. The question of facilities is covered by the study of the maintenance of way engineer. But whether they were abandoned or not, does not affect this study.

By Hon. Mr. Calder:

Q. Your figures take into account only personnel and supplies?—A. Only personnel and supplies; in other words, rail line transportation in this case covers superintendence, despatching, station service, train service, telegraph and express.

Q. But it has nothing to do with buildings?—A. It has nothing to do with buildings.

Q. If there is a saving on terminals, it is not included in this at all?—A. No.

By Hon. Mr. Murdock:

Q. There is \$3,535,110 to be saved in yard service, is there?—A. That is \$3,944,466, isn't it?

Q. Is it correct to say, taking the first items on that page, that \$3,441,468 is to be the result of turning men loose on the country?—A. Not at all, sir.

Q. How do you analyse that reduction and so forth? There is a net saving in yardmasters and yard clerks of \$494,669; yard conductors and brakemen, \$1,055,583; in yard switch and signal tenders, \$135,243; in yard enginemen, \$751,665, and in yard motormen, \$4,308, or a total of \$3,441,468.

Hon. Mr. HAIG: That does not total up to \$3,000,000. That includes fuel.

By Hon. Mr. Murdock:

Q. Yes. \$2,441,468. That is correct, is it?—A. As far as labour is concerned, I have not covered that question. It has been covered by the President. But in so far as this estimate is concerned, the Superintendent would take all the power and all the men he would require.

Q. But more than half of this saving is in disconnecting men from their positions.

[Mr. E. G. O'Brien.]

Hon. Mr. HAIG: Sir Edward Beatty told us it would take from five to seven years—

Hon. Mr. MURDOCK: That is all the bunk, and it can be proved.

By Hon. Mr. Robinson:

Q. I want to ask one question. All this is based, of course, upon maintaining the efficiency which the C.P.R. has at the present time. Is there any doubt in your mind as to whether under a unified system there would be a let-down in efficiency? You need not answer unless you want to.—A. I certainly feel that the C.P.R. service will never let down.

Q. That is optimism.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. O'Brien, have you interpreted that question in this way? Considering the operation, unifying the two properties, and at the same time making the economies you mentioned here, do you think the efficiency would be lower?—A. Not at all, sir. The efficiency of the two properties of the combined units—

Q. Operated as one property.

Hon. Mr. ROBINSON: Without competition.

By the Chairman (Hon. Mr. Beaubien):

Q. Making the economies mentioned, do you consider that the making of these economies would have the effect of reducing the efficiency of the railways?

Hon. Mr. PARENT: That is suggesting the answer. We can anticipate the answer.

The CHAIRMAN (Hon. Mr. Beaubien): If you do not mind, I will get it from the witness.

The WITNESS: I consider that under unified management, properly supervised, as we see it, there would be no decrease in efficiency; and I can see personally many places in which there would be better service to the public.

Hon. Mr. HAIG: I move that we adjourn.

By Hon. Mr. Robinson:

Q. Without the stimulation of competition?—A. Necessarily so. There are many telephone companies—

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, for a special reason we have to adjourn now until a quarter past three.

The committee adjourned until 3.15 o'clock this afternoon.

The committee resumed at 3.35 p.m.

E. G. O'BRIEN was recalled as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. O'Brien, I think we got to the set of figures on page 9 (g) of this Exhibit 62, did we not?—A. Yes sir. Page 9 (g) is the expense for train service, covered by the fifth line on the master sheet, page 9. The first item of sheet 9 (g) is Train Enginemmen, passenger and freight. And this has been computed on the basis of the combined cost of the Canadian Pacific and the Canadian National, and that figure applied to the train or locomotive miles of the combined system. That is, there was a reduction in locomotive miles, and the combined cost of both railways was applied.

Q. Are you speaking of the whole sheet?—A. No sir, the first two items. Fuel for locomotives is covered by a special study, which is self-explanatory.

The cost of fuel is divided on the usual formula, in the case of passenger service, 40 per cent variable with locomotive mileage, and 60 per cent variable with car mileage, that is to take into account the heavy and light trains.

Q. Are you not going a little fast? That figure that you gave us occurs in one of the subordinate sheets, does it not?—A. Yes sir, 9 (h).

Q. I think you had better explain those percentages by reference to the place at which they appear in this statement. Perhaps you had better deal with Train Enginemmen first. The two figures of \$6,767,330 and \$12,403,576, opposite that, represent the figures for both systems taken together?—A. Yes sir. The heading here is somewhat different to that on the other sheets. In other words, the amount of the first lot of figures, \$6,767,330 and \$12,403,576—

Q. What is the fact about that? The \$6,767,330 and \$12,403,576 represent together the figures for both systems, do they not?—A. Yes. That is shown in the blue book.

Q. Tell us where you get the 13·687 cents and the 19·145 cents, in the next column?—A. The 13·687 is the average cost for both railways.

Q. How ascertained?—A. Ascertained by dividing the locomotive miles into the total cost as published.

Q. And how have you separated passenger and freight?—A. We had the Canadian Pacific separation, but we did not have the Canadian National; but we used the same percentage.

Q. And then you applied those costs?—A. Applied those costs to the train or locomotive miles that we anticipated would be operated by the unified system.

Q. On the basis of the figures that we have had, the percentages that are given at pages 417 and 418 of the proceedings—16·2 per cent, 9·2 per cent and 3·3 per cent, I suppose?

By Hon. Mr. Parent:

Q. Mr. O'Brien, if a locomotive runs on a roadbed which has a better grade than another, does it cost the same amount? If the roadbed, for instance, of the Transcontinental is on a better grade than the Canadian Pacific, does it cost the same thing to run a train on the better grade as on the poorer grade?—A. On a better grade you would have a heavier train. You cannot take a small train on one line and a heavy train on another and compare the cost. There are the two factors: the weight of the train and the distance. And we combine those things when we take into the study both the train and car miles.

Q. You have taken all that into consideration to come to the average that you mention in this report?—A. If you take the combined figures over all the roads, it takes in all these figures.

By Mr. Biggar:

Q. Those figures of 41,434,566 and 58,828,608, in the third column figures, are derived for the unified system from those percentages that are given at pages 417 and 418, namely, 16·2 per cent, 9·2 per cent and 3·3 per cent, are they not?—A. The locomotive mileage passengers—

Q. I asked if you were basing those figures on those percentages of 16·2 per cent, which appears at page 417, near the bottom, and 9·2 per cent and 3·3 per cent which appear on page 418 at the bottom of the table?—A. The 16·2 per cent reduction is correct, reducing 49 million odd to 41 million odd; the 9·2 per cent is correct, reducing 64 million odd to 58 million odd. Those two items cover it fully, do they?

Q. Then you applied the same cost per mile to this new unified train and locomotive mileage and you got the figures in the last column?—A. Yes.

Q. Now, will you deal with Fuel for Train Locomotives?—A. That is shown on sheet 9 (g) as \$10,000,000 odd and \$20,000,000 odd.

[Mr. E. G. O'Brien.]

Q. How do you derive the figures of \$7,825,412 and \$17,847,011?—A. If you will refer to sheet 9 (h) you will find the costs of the Canadian Pacific system and the combined systems are shown separately.

Q. At the top of the page?—A. Yes.

Q. Then, you have broken down that \$13,000,000 odd?—A. Yes, and divided that as between passenger and freight—passenger \$4,288,286 and, lower down, freight \$8,746,019.

Q. And you have got the proportions of the total that those figures represent, 32.9 per cent and 67.1 per cent?—A. Yes.

Q. Where do you get that division into 32.9 per cent and 67.1 per cent?—A. In the case of the Canadian Pacific we have the actual figures.

Q. You take the actual figures?—A. Yes, for the Canadian Pacific.

Q. And then you have broken down the \$4,288,286 into two figures, and you say 40 per cent variable with locomotive mileage and 60 per cent variable with car mileage. Why is that?—A. That is a recognized statistical formula for the purpose of giving effect to light or heavy trains. It is generally accepted by railway organizations.

Q. You have got to do that in order to apply the proper percentages in the third column of figures that we are coming to?—A. Yes.

Q. Then you have broken down the freight in the same way?—A. That is on the same formula, except that instead of car miles, as in the case of passenger trains, we have gross ton miles in the case of freight trains.

By Right Hon. Mr. Meighen:

Q. I should like to understand that, if I can. Your total passenger fuel expense, Canadian Pacific, is divided into two classes, one of which is denominated variable with locomotive mileage, and when you apply the cost of the Canadian Pacific to the total you make a reduction of 16.2 per cent, in order to get at what it would be under the combined systems. But in respect of the other class you make a reduction of 14.9 per cent, this being a class which is denominated variable with car mileage. Could you make clear to a layman just why a different percentage applies?

Mr. BIGGAR: Senator, you will find those percentages at page 417.

Right Hon. Mr. MEIGHEN: I know. But I want to find why there are those percentages.

Mr. BIGGAR: They are worked out on the basis of the estimated reduction of passenger car miles. It all depends on this old Exhibit B that Mr. McNeillie gave evidence upon, where they say the percentage reduction is 16.2 per cent for the steam train miles and 14.9 for passenger and motor car miles. You will find those two percentages at the bottom of page 417.

Hon. Mr. CALDER: They have that many less miles to run, consequently they will have that much less fuel.

Mr. BIGGAR: It is actually a reduction in miles run. One is car miles and the other is steam train miles. They have calculated they could reduce their train miles by 16.2 per cent.

Right Hon Mr. MEIGHEN: Their train miles?

Mr. BIGGAR: Yes. That is in the first column of Exhibit B at page 417. That is what Mr. McNeillie gave us.

By Right Hon. Mr. Meighen:

Q. What is the difference between "variable with locomotive mileage" and "variable with car mileage?"—A. If you reduce your entire fuel bill by 16 per cent, which is the reduction in train miles, you would not give effect to the increased car miles that are transferred to the other road; but when you reduce

your fuel consumption on both a locomotive and a car mile basis you give effect to the additional cars that are transferred to the retained line.

Q. That is, you would have on the average a longer train?—A. If the fuel is divided as between weight and distance, then you reduce the distance by 16 per cent, which is the actual reduction in the route of the train, and you reduce the weight factor by 14 per cent, which is the reduction in car miles.

Hon. Mr. MURDOCK: There might be sixty cars in a train, running up your car miles, and only one train running up your train miles.

Right Hon. Mr. MEIGHEN: I have it.

Mr. BIGGAR: The next set of corresponding percentages is to be found on the next page, 418, in regard to freight. It is 9·2 per cent in the case of freight train miles and 3·3 per cent in the case of freight car miles.

By Right Hon. Mr. Meighen:

Q. Why are the percentages so much less in respect of freight car miles, broadly speaking?—A. The car miles are very much less because the only car miles that would be reduced are those due to abandoned lines, namely, all the loaded freight cars would have to be transferred to the other line; but in the case of the passenger cars, in a great many cases all the traffic would go in the cars now running. In other words, the passenger train service would not require double the cars to the extent that the car service does not affect it to the same extent.

Q. The freight cars bear a closer proportion to the business done?—A. Yes.

By Mr. Biggar:

Q. Then having taken 16·2 and 14·9, you get the figures in the last line of \$3,352,754 and \$5,107,151?—A. Yes.

Q. Totalling \$8,459,905.—A. After having reached the figure of \$8,459,905, which is the cost of fuel at prices which were charged in 1930, they considered there was a further reduction in the cost possibly on account of the purchase of fuel in larger quantities from most favourable sources, which would account for a reduction of 2½ per cent, and there would also be a reduction due to the use of most efficient power and improved operating practices, which would be possible under unification, amounting to 5 per cent, making a total reduction of 7½ per cent in the price of fuel, or a total of \$634,493, in passenger services only. That reduction in the price and use of fuel was then taken from the total cost of fuel for passenger services, or \$634,493 subtracted from the total cost of \$8,459,905, giving us a net cost for passenger services of \$7,825,412.

Q. Right. Then you have gone through the same process with regard to freight?—A. Mostly the same process, except that the locomotive miles and car miles are on a different percentage basis.

Q. I observe that instead of 3·3, which is the figure given on Exhibit C, page 418, for the percentage of freight car miles reduced, you have a percentage of 2·9. Can you tell me why?—A. That is a calculated percentage of gross ton miles, which is always used in the formula for dividing fuel consumption between route or locomotive mileage. That is the distance and the weight of the train. As we are using that formula, we reduced car miles to a gross ton mile basis through an established formula. It has a somewhat smaller number of car miles, due to one factor we had included in our study, a heavier loading of cars.

By Hon. Mr. Calder:

Q. You used that formula for the 2·9?—A. That is the result, not the formula, sir.

By Mr. Biggar:

Q. The formula by which you transferred the 3·3 percentage of freight car miles into the 2·9 percentage of locomotive mileage?—A. It is a calculation taking into consideration that we expected heavier loads.

[Mr. E. G. O'Brien.]

Q. Senator Calder's question was, what about that formula, is it one exclusive to the C.P.R. or is it common?—A. It was a special calculation. I do not think I could use the word "formula." It was a special calculation taking into account the reduced car miles due to factors in the study of train operation and the reduced car miles due to heavier loading. In other words, we have got 3·3 car miles, but in those cars there was more freight. Therefore when you equate that it gives you somewhat less than 3·3, or 2·9 per cent.

By Hon. Mr. Calder:

Q. Used solely for this calculation?—A. Yes, sir.

By Mr. Biggar:

Q. The same remark applies to the \$1,447,000 odd for coal savings?—A. Yes, sir, that is on the same basis as we explained for the passenger service.

I have been asked to explain the meaning of gross ton miles. That is the total miles that the car and contents travel, that is, one ton one mile. A car with 30 tons weighing 24 tons tare would give you 54 gross ton miles.

Q. Will you tell us where those net figures of costs for the systems as combined in the last column are carried to before being carried into the loose sheets?—A. The total cost of \$17,000,000 odd?

Q. That is for freight only.—A. No, freight and passenger, sir. That is the total of \$17,847,011 for freight and \$7,825,412 for passenger.

Q. Where are they carried for the purpose of being ultimately transferred into the loose sheets?—A. At page 9 (g) \$7,825,412 is shown as the third item in the right-hand column, and the freight item is \$17,847,011, immediately below the first figure.

Q. I follow you. That disposes, then, of the second item of (g). What about the third, water for train locomotives?—A. That is worked out in exactly the same formula, 40 per cent passenger variable with locomotive mileage and 33 per cent variable with car mileage. There is shown there a proportion of the total, which is the C.P.R. figure. In other words, 33 per cent of our water is applied to passenger locomotives and 57 per cent to freight.

Q. The separate sheet which deals with that is 9 (i), is it not?—A. Yes.

Q. Very good. That will cover the water for the train locomotives. We are going on to lubricants for train locomotives.—A. There is no detailed sheet, but that figure is computed in the same way as the cost for train engineers. That is, the combined cost of both Canadian Pacific and Canadian National averaged per mile is .339 cents. That cost is applied to the same figure for train engineers, 41,000,000 miles, giving a cost for the combined system of \$140,463. This train service expense includes items of supplies that are used in both passenger and freight trains.

Q. You do the same for freight lubricants?—A. Yes.

By Hon. Mr. Calder:

Q. At the top of page 9 we are dealing with water for train locomotives. The total expense of the Canadian Pacific system is \$743,000 odd, for the combined systems \$1,817,269. Then the estimated total for the combined systems is \$1,658,802. My question is this: is that \$1,817,000 made up from the Blue Book statement?—A. Yes, sir.

Q. That is from the Blue Book statement?—A. That is from the Blue Book statement published annually.

Q. So your saving there on this total item would be somewhere in the neighbourhood of \$200,000, if your estimate is correct.

Mr. BIGGAR: Not quite.

By Hon. Mr. Calder:

Q. There would be a difference?—A. Exactly.

Q. That is on water?—A. Yes, sir.

Q. And the locomotives used on both systems?—A. Yes, sir.

Q. Whereas in 1930 they had \$1,817,269 for water, your estimate shows you could reduce it by somewhere between \$100,000 and \$200,000?—A. Yes, sir.

By Hon. Mr. Horsey:

Q. Those are the items paid the municipalities?—A. Paid the municipalities, or for pumping it ourselves. The actual cost is right here.

By Mr. Biggar:

Q. In the other statement for locomotives the procedure is exactly the same?—A. Yes, sir.

Q. Actual costs?—A. Actual costs.

Q. "Enginehouse expenses." Would you refer to page 9 (j). Can you explain how you get at these figures?—A. On sheet 9 (j) the first item we show is expense.

Q. What we are really concerned with is the explanation.—A. The explanation is that we applied Canadian Pacific costs for passenger and freight services of 5.695 cents per mile.

Q. That is on 43.8 per cent—A. Yes, sir.

Q.—of your total expenses?—A. That happens to be the same in both cases, both freight and passenger. We have applied the Canadian Pacific costs to the mileage of the unified system.

Q. You first divide your total expense 43.8 per cent to passenger and 56.2 per cent to freight?—A. Yes.

Q. I want to make the actual process clear. Then you took the passenger locomotive miles and applied C.P.R. costs to that, and worked it out on the same basis on the unified mileage?—A. Yes, sir.

Q. And the same thing with regard to freight, and you got a total expense I presume, of \$3,340,288. Is that right?—A. That is correct.

Right Hon. Mr. MEIGHEN: Is that the saving?

Mr. BIGGAR: No, sir.

The WITNESS: \$3,340,000 is the cost for freight, and \$2,370,000 for passenger. They are both shown on sheet 9 (g).

Right Hon. Mr. MEIGHEN: There is nothing here to indicate what your saving would be.

Mr. BIGGAR: I think we go back to 9 (g) for that. I am not sure. No, we haven't got the saving at all; it just gives the total cost.

By Mr. Biggar:

Q. Now, "trainmen." Is that the same thing? You take the C.P.R. cost of 14.014 cents for passenger, and 24.242 cents for freight, and apply it to the new mileage.—A. That is combined cost.

Hon. Mr. HAIG: What page is that?

Mr. BIGGAR: We are going back to 9 (g). The last one we dealt with was enginehouse expenses. Now we come on to trainmen, and I think the mode of calculation is the same as it was in the top item.

Right Hon. Mr. MEIGHEN: There is an enormous item there.

By Mr. Biggar:

Q. Yes. It is worked out in the same way as the one at the top?—

A. Yes, sir.

[Mr. E. G. O'Brien.]

Q. Then, "Train supplies and expenses". You get the details at 9 (k)?—
 A. Yes, sir. On sheet 9 (k) the costs are worked out on a somewhat different basis, as the train supplies are not variable with train miles to the same extent as fuel would be, where we had 40 and 60. The number of passenger cars on a train affects that cost more than the mileage of the train, so we divide the train supplies on the basis of 10 per cent variable with train miles and 90 per cent variable with car miles.

By Right Hon. Mr. Meighen:

Q. What is meant by "train supplies"?—A. On passenger trains it means soap, paper cups, cleaning material and all that sort of thing; icing, watering, cleaning and heating the cars. It is mainly icing, watering, cleaning, heating and lighting.

So, as 10 per cent is variable with train miles, we take 10 per cent of the cost and determine the cost per mile. Then, 90 per cent of the cost is applied against car miles in the same manner. This, applied to the total train and car miles, gives the cost of the unified system as \$4,137,176 for passenger service.

Q. And in getting at it you take into account the reduction of the car miles due to unification?—A. Yes, sir. It applies to a greater extent. In passenger service car miles have a greater effect than in freight service. That is reflected in this formula of cost for working out train supplies.

In the case of freight there is a different basis used as the supplies are largely used in the conductor's van, and therefore are not variable with car miles to the same extent as on passenger trains. The train supplies for freight are therefore made variable 50 per cent with train miles and 50 per cent with car miles.

By Mr. Biggar:

Q. And worked on this basis— —A. You get \$3,145,930 for freight, which is again transferred to sheet 9 (g).

Q. Then you have only one item left "Other." What is "Other"?—
 A. "Other" is the expense chargeable to transportation covered by a great number of detailed items—weighing, inspection and demurrage bureaus. These are all found in detail on sheet 9 (1).

Q. That is the sheet which follows (k)?—A. Yes. Other transportation expenses based on the year 1930. All the details are there.

By Hon. Mr. Haig:

Q. How do you account for some of the variations in these figures? Take the item of crossing protection. You have only \$147,410, and the Canadian National have \$677,170.—A. That was reduced to the extent of 12.24 per cent, which is the percentage that abandoned lines bear to the total mileage.

Q. Why is their figure so high and yours so low?—A. I have not seen their detail, sir.

Hon. Mr. McRAE: There would be no reduction if there was no line abandonment.

Hon. Mr. BLACK: They have more trackage, and probably more crossing signals and that kind of thing.

The WITNESS: Senator Haig, our cost of crossing protection was \$728,347, or a reduction of \$101,000. That is what you have reference to?

By Hon. Mr. Haig:

Q. Yes. And in the seventh item your charge is only \$6,322, and theirs is \$1,142,703. You practically use their figure in the combined figure.

Hon. Mr. BLACK: There are car ferries between Prince Edward Island and the mainland.

The WITNESS: It is just merely a question of the number of services, the number of units in operation. The Canadian National have included in that I presume, their ferries in Lake Ontario, ferry services at Detroit, and so on whereas in the case of the Canadian Pacific a great many of these services are operated by other companies, and they merely pay the operating charge. You will notice that there is no saving calculated in that. The total for the combined systems is carried into the right-hand column.

By Hon. Mr. Murdock:

Q. The ferries on Lake Michigan would come in there too, wouldn't they and the ferries across the Straits of Northumberland?—A. I presume the figures are in there. This is taken from the published blue books, so I didn't have the detail. As there is no saving, I didn't go into it in detail.

By Mr. Biggar:

Q. I do not know where you get that figure.—A. In regard to the total at the bottom of page 9 (1) the cost of the unified system is \$10,082,326. If you deduct that from the costs of the combined railways of \$11,603,685, you get a difference of \$1,521,359, which is not shown.

Q. Will you give me that figure again, please?—A. \$1,521,359.

Q. Yes?—A. That \$1,521,359 is carried to the master sheet, page 9.

Q. Nine what? There are a lot of nines.—A. The original 9, page 417 Exhibit "H", the bottom item.

Q. I see.

By Hon. Mr. Haig:

Q. Before you leave 9 (1). Why is your figure for operating sleeping cars \$2,001,015, and theirs \$1,291,801?—A. Sleeping cars?

Q. The third item.—A. The Canadian Pacific operates their own sleeping car service, whereas a large part of the cars used by the Canadian National are leased from the Pullman Company.

By Right Hon. Mr. Meighen:

Q. And they have a larger item somewhere else. Where would that be? One would expect their figure to be greater than yours, but it is much smaller.—A. On the item "sleeping"?

Q. Yes.—A. While our costs are greater, of course our revenue is greater. The Pullman Company retains the inside earnings on the cars they operate over the Canadian National. I do not know the details of the agreement, but the reduction in operating cost reflects itself in the revenue.

Q. Let me get this clear. You own your own sleeping cars?—A. Yes.

Q. The Canadian National rent sleeping cars, in part. I do not see just why the matter of title would affect the operating costs. That is to say, you have to charge depreciation, and so on, and they have to charge rent. But why would your operating costs be greater just because you own the cars?—A. The Canadian Pacific operate their sleeping cars. The cost for the line supplies, the porters and so on, is all in this \$2,000,000. And all the earnings derived from those cars, the gross of the sleeping car tickets, is reflected in our revenue. In the case of the Pullman cars, operating on the Canadian National, the Canadian National have some expense, but the porters are paid by the Pullman Company, and the linen is supplied by the Pullman Company and a great part of the cost of the operation of those sleeping cars does not

[Mr. E. G. O'Brien.]

come into the Canadian National operating costs. In like manner, a part of the sleeping car ticket earnings goes direct to the Pullman Company. I have not got the full details of that, but it is on that basis.

By the Chairman (Right Hon. Mr. Graham):

Q. The Pullman Company would have to look after the upkeep?—A. Yes, and the repair of the cars.

By Mr. Biggar:

Q. When you come to "Other," on page 9 (g), which is the sheet we were on, you have got a series of figures across there opposite "Passenger" which lead to an estimate for the combined systems of \$181,143.

Hon. Mr. MURDOCK: Is that not Northern Alberta and Toronto Terminals?

The WITNESS: This "Other-Passenger" is the motor car operation.

By Mr. Biggar:

Q. In other words, you jump that to lead us to page 9 (1), which has nothing to do with page 9 (g) at all, has it?—A. No sir, but when you said "Other"—

Q. I was referring to that "Other" on page 9 (g).—A. I am sorry, I thought you were referring to the "Other" on the master sheet.

Q. You have a total of \$76,554,663, which you carry into the fifth column on the loose sheet?—A. Yes sir. The difference between \$76,554,663 and \$89,-770,212 gives you \$13,215,549.

By Hon. Mr. Murdock:

Q. I wonder if everybody would have patience with me while I just make one further little reference to the human element involved. Take the first item of figures, Train Enginemen, passenger. For the total combined systems, operated separately, the amount is \$6,767,330. Train Enginemen, Freight is \$12,403,576. Down a little further we come to trainmen, passenger, \$6,775,522, and Trainmen, Freight, \$14,008,289. And going over to the estimate for the combined systems operated as a unit, we find that the passenger train enginemen would get only \$5,671,149, and the freight train enginemen would get \$11,262,-737; also that passenger trainmen would get \$5,677,403 and freight trainmen \$12,723,055. There is a contribution there of \$4,620,373 which the passenger and freight enginemen and trainmen are to make to these savings.—A. Yes, that is a correct computation.

Q. That is, the passenger train enginemen and trainmen and freight train enginemen and trainmen would make a contribution of nearly \$5,000,000?—A. That is not an immediate contribution. This is the expenses when unification is an accomplished fact, which would be possibly five years after the start. It would mean, as you said, eventually that the expenses for these items would be as shown in this statement.

Q. There is a great deal of other expense there too where the human element is involved, but those four items stand out very clearly.—A. The President has covered that very clearly in his statement, sir, and I do not think I should be expected to discuss it.

By Right Hon. Mr. Meighen:

Q. Why is there such a wide variation in injuries to persons as between the two systems? The last item on page 9 (1) shows \$1,202,693 for the Canadian National and \$443,510 for the Canadian Pacific. One is three times as much.

By Hon. Mr. Parent:

Q. Does that come from the blue books?—A. These are annual figures taken from the blue book. As to what brought them about, it may have been in this particular year that someone—

By Hon. Mr. Calder:

Q. That there were one or two bad wrecks?—A. One or two bad wrecks may have changed the situation. But we are taking a normal year. We are taking the figures that were published.

By Hon. Mr. McRae:

Q. The same indemnity applies to both roads, I suppose?—A. Yes, under the Act; and we are both subject to the courts.

By Hon. Mr. Murdock:

Q. Does that item include the contributions made by the Canadian Pacific under the Workmen's Compensation measures?—A. It does, in so far as it applies to transportation.

Right Hon. Mr. MEIGHEN: In respect of injuries to persons, I should judge that 90 per cent of the cases would be settled without going to court.

Hon. Mr. MURDOCK: Under Workmen's Compensation regulations, nearly all of them.

Right Hon. Mr. MEIGHEN: Yes; it would be a way over 90 per cent.

The WITNESS: I have not the details of that; I could not tell you what percentage.

Right Hon. Mr. MEIGHEN: Mr. Flintoft would know pretty well.

Mr. FLINTOFT: I would not be able to give you a percentage, but I should say that in so far as employees are concerned to-day practically everything we pay them is regulated by the various Workmen's Compensation Acts. There are occasionally cases where we have actions at common law against us, where verdicts are given in excess—considerably usually—of what the man is entitled to under the Workmen's Compensation Act.

Right Hon. Mr. MEIGHEN: But this not only includes injuries to your workmen? Does it not include injuries to others?

Mr. FLINTOFT: And passengers, but not a man who is killed on a highway crossing, for instance.

Right Hon. Mr. MEIGHEN: Where does that come in? He is still a person.

Mr. FLINTOFT: I am incorrect in that, sir. That includes all personal injuries arising out of transportation.

By Right Hon. Mr. Meighen:

Q. Would the great bulk of that be to employees?

Mr. FLINTOFT: Oh, yes. Our personal injury claims from employees used to be a very heavy part of the work of the Law Department. Now they are all settled by routine with the Workmen's Compensation Board. We deal with practically nothing.

Right Hon. Mr. MEIGHEN: And the amount that you suffer by reason of collisions with outside persons is really a very small one?

Mr. FLINTOFT: Oh, yes, relatively small.

By Mr. Biggar:

Q. Mr. O'Brien, we have covered everything on the loose sheet of Exhibit 62, which corresponds to the tabular statement at the bottom of page 424 of the proceedings?

[Mr. E. G. O'Brien.]

Hon. Mr. McRAE: Mr. Chairman, there is one point that is not clear to me. On page 9 (1) there is an item "Operating Joint Tracks and Facilities," and there is a debit and a credit.

The WITNESS: That is the total cost, not a debit and credit.

Hon. Mr. McRAE: Well, it says it is a debit and credit.

Hon. Mr. MURDOCK: Would that not include that item which Mr. Fairweather referred to, of the nice arrangement they had with the Great Northern in entering Vancouver and getting a rental there, and some other similar items?

The WITNESS: I misunderstood you, Senator McRae. The debit is where we pay out money to other companies for joint facilities, and the credit is where we have facilities that are operated jointly and other companies pay the Canadian Pacific or the unified railways for the use of their tracks.

Hon. Mr. MURDOCK: The Delaware and Hudson, and the Rutland running into Montreal, for instance.

By Hon. Mr. McRae:

Q. These figures do not change the totals at all; they could have been omitted?—A. Yes, but it is in order that our figures might tally with the published costs. There are other things included that have not very much bearing on this question.

By Mr. Biggar:

Q. That covers everything on the loose sheet which corresponds with the tabular statement at the bottom of page 424. But I notice that there is another page, No. 10, to which we have not referred at all yet.—A. That covers the item of the operation of inland water lines, which is almost exclusively the cost of operating the boats on the Okanagan.

Q. You get a saving of \$41,500. Can you tell me where, shortly?—A. That was developed by a special survey and represented largely the cost of duplicate passenger services on Lake Okanagan.

Mr. BIGGAR: That is all I have to ask Mr. O'Brien.

By Hon. Mr. Robinson:

Q. While Mr. O'Brien is on the stand I should like to put a question to him based on a letter I have received. He gave evidence with regard to cutting off the line across New Brunswick. I have received the following communication:—

Mr. O'Brien, Assistant General Superintendent of Transportation, Canadian Pacific Railway, in his evidence before the Senate committee, made the statement that about a trainload of traffic moves over the Transcontinental westbound daily and that they could use half of this train, particularly during the winter months, to fill out their westbound trains ex Saint John and the other half could move by the Intercolonial Railway.

If he were asked what would happen in the event of the eastbound traffic of the Transcontinental being treated in a similar manner, I wonder what his answer would be as this traffic has reached the extent of 368 loads and 166 empties in one day, and, on another occasion, 345 loads and 39 empties. If he is operating trains light westbound, it is only natural to assume that, eastbound, they would be fully loaded, and the condition referred to by him would be seriously aggravated. In other words, he would have half the number of cars mentioned above to move eastbound, in addition to his already fully loaded trains, and, assuming that a train-

load contained 33 cars of loads and empties, to move the number of cars referred to, would necessitate approximately 8 additional trains in one direction on that particular day in addition to their own traffic.

I should like an explanation.—A. The first part of the explanation is that our figures were taken in 1930. As has been explained during the hearing, the traffic has increased tremendously. Reference is made to the very heavy movement of coal. It fluctuates from year to year. Some years we have a movement of grain, in other years it is not very much. During the winter months the traffic is light. To the best of our information, we figured that what was moving over that line was an average. This movement which is referred to here, I think, is the heaviest movement during a period of heavy movement. In other words, it is a maximum. You would have to get the complete figures for the year in order to give a definite answer as to how it would be affected. This study was based on the best information we could get in 1932 of the operation of 1930. Your conditions have changed since very much.

Q. That is the answer probably.

Hon. Mr. McRAE: Mr. Chairman, it seems to me it might be interesting to the committee if Mr. O'Brien could in a few instances explain the consolidation which is contemplated to effect the savings of some of these outstanding divisional points. For instance, take Vancouver, I notice a saving of approximately \$52,000. It would be very interesting to me if Mr. O'Brien would outline in a general way what program they have in mind for Vancouver, and no doubt several other senators from points with which they are equally familiar as I am with Vancouver would like similar information. It would at least give us an opportunity to understand what these economies are that are going to result in these concrete instances with which we are familiar.

Right Hon. Mr. MEIGHEN: What is the \$52,000 referable to?

Hon. Mr. McRAE: Page 9 (d)-12. Vancouver is shown with a net saving of \$52,062. The saving is not as great as I anticipated it would be. Nevertheless it would be interesting to me to know just what the contemplated rearrangement would be to effect that saving.

Hon. Mr. HUGESSEN: I asked the same question this morning with regard to Montreal.

Hon. Mr. McRAE: I have no doubt Senator Haig is equally interested in regard to Winnipeg.

Hon. Mr. HAIG: The saving there is \$280,000 odd.

The WITNESS: Sir, I am sorry I cannot give you the details. We asked a man who knew the situation thoroughly, who was located on the ground at the time, to make an estimate. After studying the yards and the entire terminals of both roads he said that in his estimation he could operate those roads as one unit, with a terminal as one unit, and save \$52,000.

By Hon. Mr. McRae:

Q. I should think we could. I suppose he contemplated closing the Canadian Northern terminal, which would be the logical thing to do.—A. I don't know just what he considered, but these things change from year to year. He possibly may have had that or some other scheme in mind when he estimated. In other words, he staked his reputation on the fact—I mean he gave us his best estimate that he could save \$52,000 in the operation.

Q. Then you could not give us any of the details in any of these outstanding divisional points of the proposed consolidation?

By Right Hon. Mr. Meighen:

Q. First of all, Mr. O'Brien, is not that \$52,000 referable only to the station services?—A. In that particular case 9 (d) the entire lot of sheets deal with station services.

[Mr. E. G. O'Brien.]

By Hon. Mr. McRae:

Q. That would include city stations?—A. Yes, and freight sheds.

Q. Yardmen?—A. Yardmen would not be included in the station services. Transportation, yard service, is covered by sheet 9 (e).

By Right Hon. Mr. Meighen:

Q. This is all station terminals?—A. Yes.

By Hon. Mr. Calder:

Q. Under the heading, station services, you include only the service given in the station. So the saving would be just so much in the station?—A. What you include under station services is laid down for us in C.R.C. regulations. I will give you all that is included in station services. The account covers the following: agents, clerks and attendants: the pay of agents, clerks and attendants in charge of or engaged in operation of stations, wharves, piers located on the carrier line. It also covers customs inspectors and the definite employees whose cost is included in that account, both passenger and freight. It covers the labour at stations in the physical handling of freight, truckers, checkers, and the handling of mail, baggage, and express. Also the disinfecting of stations, the handling of stock yards and stock pens, and weighing. Then also under that item we have station supplies, which covers heating, lighting and other expenses, those "other expenses" being miscellaneous station supplies. They are definite on all roads, and we followed the usual method because we had comparable figures under those headings in the published data.

By Hon. Mr. McRae:

Q. But, Mr. O'Brien, that saving of labour is going to depend on unification. Take, for instance, Vancouver, which is the outstanding point in this regard. It must mean the abandonment of the Canadian National terminals and taking everything into the C.P.R. terminals. I am satisfied that applies to the point. I am particularly interested in, but I think, Mr. Chairman, that is something on which there should be a report to show what these savings are based on. If it means the closing of the Canadian National terminal at Winnipeg, I think it is important for the committee to have that and similar information before it.

MR. FLINTOFT: May I intervene with the permission of the committee? Senator McRae is suggesting that we go into details of the same character as those which we stated would be embarrassing to the company if they were gone into. As Mr. Pyne said, "I should be afraid to go home if I told Senator Haig what I was proposing to do in detail in respect to these matters."

HON. MR. DANDURAND: Would you not be in danger of going home one of these days?

MR. FLINTOFT: I was just going to say that while Mr. O'Brien fortunately does not have to go home to Vancouver—

HON. MR. McRAE: I do.

MR. FLINTOFT:—at the same time he might meet with a stormy reception on his return home if he gave such details with regard to Montreal. If the committee approves, I should like to withhold details of that character. As Mr. Jefferson explained this morning, there is ample reason for withholding such details as might prejudice the Canadian Pacific or the Canadian National if either were asked to give similar details.

HON. MR. BLACK: Is it not a fact that neither the C.P.R. nor the C.N.R. can decide alone what terminals or what different parts of their lines shall be abandoned until, if, and when an agreement for unification is reached and they get together?

Hon. Mr. CALDER: It can only be done then.

Mr. FLINTOFF: It would be entirely in the discretion of the new company when formed.

Hon. Mr. CALDER: I can see that side of the question, and also the other side. The purpose of this committee is to crystalize public sentiment on this important question. I do not see how we are going to do it without getting the facts out for the public to judge. I understand there will be lots of controversy and difference of opinion. But here is a statement showing \$3,400,000 savings, and nothing has been presented to the committee in detail to show how those important savings are made, except with respect to personnel; and there is no information with respect to the readjustment which is going to affect five or six, maybe a dozen, important rail centres. I do not think we are going to get all the essential facts if we do not get any information with respect to that. I appreciate the difficulty in giving it, but there are going to be lots of difficulties before this case is settled.

Hon. Mr. MURDOCK: Cannot we afford to save anxiety until they have made out their case?

Right Hon. Mr. MEIGHEN: In other words, there is no way to economize except to economize.

Hon. Mr. McRAE: I appreciate that; but the public do not.

Hon. Mr. HAIG: There is only one thing about the exhibit. Senator McRae has only to economize to the extent of \$52,000. I take it that his is only a small place.—

Hon. Mr. McRAE: And prosperous.

Hon. Mr. HAIG: The little town I come from has to accommodate itself to a saving of \$280,000.

Hon. Mr. HUGESSEN: I have twice as much.

Hon. Mr. HAIG: You are bigger. In proportion to population my town has to accommodate seven times that much.

Hon. Mr. McRAE: We have not made as many mistakes in Vancouver as you have in Winnipeg.

Hon. Mr. HAIG: You have not had the chance. I think your man ought to investigate that \$52,000 further.

Hon. Mr. McRAE: I am satisfied.

Hon. Mr. HAIG: I think if he investigated the Winnipeg situation further he might seriously consider cutting down the \$280,000. If you abandon the Transcontinental line—

Hon. Mr. CALDER: There will be war.

Hon. Mr. HAIG: Then the only way the transcontinental train could come into Winnipeg would be at the C.P.R. station. The effect of abandoning those lines must be considered.

The WITNESS: There are frequent crossings both east and west of Winnipeg.

Hon. Mr. MURDOCK: The old Canadian Northern is still running.

Hon. Mr. HAIG: It does not run very far.

Q. Your suggestion was to abandon the line from there to Winnipeg?—
A. Yes, sir.

Q. Then the Transcontinental will come in this way (indicating on map). That would bring you to the C.P.R. station. Is that correct?—A. It would, except where the lines cross.

Q. But you have abandoned the line.

Hon. Mr. CALDER: Build a cut-off, and shove it into the other station.

[Mr. E. G. O'Brien.]

Hon. Mr. HAIG: You would have a lot of building to do if you keep the Canadian National and abandon the C.P.R.

Hon. Mr. MURDOCK: There is the connection at Transcona. There is track there.

Hon. Mr. HAIG: No, there is no track.

Hon. Mr. HORSEY: You make all the savings explicit and clear to the public as far as abandonment is concerned, and then you stop.

Mr. FLINTOFF: We did not dictate the policy. The information in regard to track abandonment was furnished to the Duff Commission in confidence, under a definite understanding that it would not be made public. Unfortunately, however—no, it is not right to say unfortunately, because I would not say any action taken by this committee was unfortunate—but I may say that we objected to making information of this sort public, because we thought it might be prejudicial to both sides. However, it was the desire of the committee that the information should be made public, and notwithstanding the fact that it was furnished in confidence to the Duff Commission and was not made a part of their public record, we did furnish it to the committee at their special request. We have already experienced unfortunate repercussions from the fact that that information was made public, and that strengthens our view that it is unwise to make this information public, which may, and does undoubtedly, prejudice the company that reveals it in its day-to-day business. The same position has been taken time and again on behalf of the Canadian National.

Hon. Mr. HORSEY: I was wondering why you made the difference.

Mr. FLINTOFF: It was at the urgent request of the committee in regard to that 5,000 miles, though we felt it really should not be made public.

By Hon. Mr. Robinson:

Q. I presume the saving at Winnipeg is contingent upon the abandonment of a large trackage and one station.—A. I could not give you the details of that. It is a study made at Winnipeg.

Hon. Mr. McRAE: I have only this to say, that these savings which seem to be quite carefully worked out lose a great deal of their value without a supporting plan as to how they are to be effected; in other words, without more evidence to that effect. That is the point I am trying to make.

The CHAIRMAN (Hon. Mr. Beaubien): Senator, does it not simply come down to this. The different items that Mr. O'Brien has proven he has proven in detail. You want him to go behind that and say whether there are not other economies to be made, perhaps of a very large size, and of which he probably knows nothing at all. Surely you cannot ask the witness to tell you that.

Hon. Mr. McRAE: I may state it in another way. So far as Vancouver is concerned, where I know the situation, I am satisfied that the \$52,000 saving can be easily effected; but I am entirely in the dark with respect to all the other points across Canada with which I am not familiar.

Hon. Mr. CALDER: It strikes me from a slightly different standpoint. If we were all certain that unification was going to take place, there would not be any trouble at all about disclosing these things; but for either company at the present time, not knowing what is going to happen, to indicate what it would do in the city of Montreal, Quebec, Moncton, Winnipeg or any place else, would create an atmosphere against the company that gave out the information at the present time; and it would create an impression that would last a long time. And when we are through with this committee we may never hear of unification again.

As I understand Mr. Flintoff, he simply takes the view that after all, if unification is going to be worked out, it must be by the representatives of both

companies, and that anything done will be done as the result of the combined efforts of both companies. So, while I quite agree that we would have a better idea of what is going to happen from a disclosure of the information—I think we all realize that there will be savings if unification takes place and if there is a joint terminal used instead of two terminals—but the point is whether they should at the present time disclose which terminal is going to be used.

Mr. FLINTOFT: We can't.

Hon. Mr. CALDER: You can't. You have no authority to decide. That is only used as a basis for an estimate, and it is only an estimate; and if unification takes place it has got to be brought about by the directors representing both the properties. So I do not think we are getting anywhere.

Hon. Mr. ROBINSON: They would have to travel around the country in an armoured car.

The CHAIRMAN (Hon. Mr. Beaubien): Shall we proceed?

Hon. Mr. CALDER: There is just one thing I want to point out, if I may, with Mr. O'Brien's assistance. Take the master sheet, as it is called. The items are all there, superintendence, despatching trains and so on. This is the estimated saving on transportation rail lines based on the year 1930. The total estimated saving on the two systems for all these items in connection with transportation is \$23,994,376, or roughly \$24,000,000, which is well over three times the amount that would be saved by the abandonment of 5,000 miles.

Hon. Mr. MURDOCK: And the train, engine and station employees are individually going to contribute \$20,630,000 of these savings, according to these figures.

The CHAIRMAN (Hon. Mr. Beaubien): No, no.

Hon. Mr. MURDOCK: The train, yard and station employees are going to contribute \$20,630,000 of that saving.

Hon. Mr. HAIG: What is the use of the honourable gentleman saying that when the committee have the statement from Sir Edward Beatty that the personnel will be protected from start to finish. As an engineer in the Winnipeg division dies or retires, his place will not be filled. It will take seven years to do that, and in the shops it will take less than that.

Hon. Mr. MURDOCK: I think you believe what you are saying, but you are all wet.

Hon. Mr. HAIG: I am not. It is easy to say that. The condition is that nobody in his sober senses would ever suggest that the men be discharged from the railway, and nobody is suggesting that here. Neither Sir Edward Beatty nor any of his witnesses have suggested that, and it is no use saying that savings are being made by engineers being let off, and that therefore they are being discharged. We were told that it would take five to seven years for death, resignation or superannuation to bring about that change.

Hon. Mr. MURDOCK: That is quite a speech, but you do not deal with the actualities involved. Here we have been talking all the time about a combined railway operating as a unit, and we are given figures. We are told that with the combination of station service there can be saved \$3,470,950; that with the combination of the two railways there will be saved in yard service, \$3,944,466; and in train service, \$13,215,549. Now, please do not give me at this time of life any buncombe about employers, who are looking out for the almighty dollar—

The CHAIRMAN (Hon. Mr. Beaubien): Will you please sit down?

Hon. Mr. MURDOCK: —protecting the rights of employees that they are going to unload in that way. I am too old at the game to swallow any such statement, and I don't give a damn where it came from.

[Mr. E. G. O'Brien.]

The CHAIRMAN (Hon. Mr. Beaubien): Now—

Hon. Mr. DANDURAND: I call the attention of the committee to the fact that my honourable friend became emphatic when he rose from his seat.

Some Hon. SENATORS: Oh, oh.

By Mr. Parent:

Q. I want to put a few questions, Mr. O'Brien. Did you hear the evidence of Mr. Fairweather?—A. I didn't hear it, but I think I have read most of it. I do not know that I have covered it fully.

Q. Do you recall a statement made by him to the effect that the Canadian Pacific Railway had recommended the abandonment of the line, say, from Amos to Edmundston?—A. I cannot recall.

Q. Or from the place called Diamond, which is near the city of Quebec, to Edmundston?—A. I am sorry, sir. I cannot give you anything definite about track abandonment. I was given a definite set-up.

Q. I asked if you had read the evidence of Mr. Fairweather. I do not want to misrepresent what Mr. Fairweather may have said, but as I understood him, he said that the C.P.R. had recommended, either in a private document or otherwise, or perhaps to the Duff Commission, the abandonment of a line running from near Quebec city to Edmundston.—A. I didn't hear Mr. Fairweather, and I don't remember having read that, and cannot comment upon it.

Q. As a matter of fact, has the C.P.R. recommended anything of the sort?—A. I don't know.

Hon. Mr. HORSEY: It is indicated on the map as being an abandonment.

By Mr. Parent:

Q. Who recommended that black line as an abandonment?—A. I couldn't give you any information as to that, as I was not here when this was done.

Q. Do you know anybody who recommended it?—A. I do not.

Q. Who could answer the question?—A. I am not in a position to do so.

Hon. Mr. CALDER: I think it is answered already. It is included in the list of abandonments furnished by the C.P.R.

Hon. Mr. PARENT: That is the question I am asking, and I cannot get an answer.

The CHAIRMAN (Hon. Mr. Beaubien): All right, Mr. O'Brien.

Hon. Mr. DANDURAND: I draw my honourable friend's attention to Exhibit 50, which is details of track abandonments as summarized in Exhibit "A" of Exhibit 49, C.P.R. study of economies possible by unification. He will find there the whole list.

Mr. BIGGAR: Thank you, Mr. O'Brien.

Mr. BIGGAR: I am going to call Mr. Liddy. While Mr. Liddy is getting ready, I have to draw the attention of the Committee to an oversight on my part. I did not attribute an exhibit number to the details that Mr. McNeillie gave us yesterday. That document really should have been marked as an exhibit after exhibit 56, but we have gone on and have got to Exhibit 62, so that I shall have to ask to have these details marked as Exhibit 63.

Hon. Mr. BLACK: To what group of documents did you just refer?

Mr. BIGGAR: Documents with regard to reduction in passenger train miles.

Hon. Mr. BLACK: Did we get any separate list of particulars?

Mr. BIGGAR: No, simply calculations.

S. J. W. LIDDY appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Liddy, you are at present Assistant to the Comptroller of the Canadian Pacific Railway, are you?—A. That is right, sir.

Q. How long have you been in that position?—A. Three years.

Q. And before that were you long with the company?—A. I have a total of 24 years of railway service. For eight years previous to my present position I was General Statistician of the Company.

Q. And therefore had to do generally with the results of the operation of the railway?—A. That is right.

Q. In figures?—A. Yes.

Q. You have handed in a document, similar to those that have been handed in by the other witnesses?—A. Yes. I have seven exhibits that I would like to file.

Q. Had we better mark them all together?—A. I would prefer to have them marked singly, so that I may refer to them.

Q. Will you tell the Committee, before you go on, which of the matters you are going to deal with? I understand that you are dealing with the general expenses in the tabular statement at the bottom of page 425 of the proceedings?—A. That is right, sir.

Q. That is the first thing you are going to deal with? That is the subject?—A. General expenses, that is the first exhibit, yes sir.

Q. And that is the last item, I think, that we have got to deal with of the total of \$64,268,000, which is part of the item in the general summary on page 416 of the proceedings?—A. It is part of item 2 on page 416, reading "Decreased railway operating expenses \$64,268,000." On page 425 of the record, at the bottom—

Q. That is the tabular statement?—A. Yes, but you referred to page 416.

Q. But I understand that that tabular statement on page 425 is one of the items that enter into item 2 on page 416.—A. You are right, sir. Now I would like to file the tabular statement which appears at the bottom of page 425, and the next succeeding sheet to it, which has been distributed. These pages are numbered Exhibit H, page 12, and Exhibit H, page 12 (a). I would like to file those as one exhibit. Could I have a number for that?

Q. Yes. Is there any difference between that first sheet which you have just handed in, Exhibit H, page 12, and the tabular statement at the bottom of page 425?—A. They are identical, sir.

Q. Then we need not bother with reprinting that tabular statement that is already in. You told me that Exhibit H, page 12, was exactly the same as the tabular statement on page 425, at the bottom?—A. Correct, sir.

Hon. Mr. McRAE: As a matter of convenience, would it not be well to have it printed again?

Mr. BIGGAR: We have not done it with any of the others, Senator.

Q. Then Exhibit 64 will consist only of the sheet marked Exhibit H, page 12 (a)?—A. For convenience I have distributed the master sheet—

Q. You have told me twice that the master sheet is a reproduction of the tabular statement on page 425.—A. That is quite agreeable to me, sir. All I want to file are the details of the master sheet. I prefer to file them all together.

Q. I thought you said you only wanted those two pages, one of which is already printed, referred to as this exhibit?—A. I wish to have a separate exhibit number for each of the seven exhibits which I wish to file.

Q. Will you deal with them as we come to them?—A. I would prefer to file them all together now, sir.

Railway Operating Expenses, General Expenses—based on year 1930, Exhibit "H," page 12 (a), filed and marked Exhibit 64.

[Mr. S. J. W. Liddy.]

Hon. Mr. PARENT: Mr. Biggar if we had the two sheets printed in the record it would make it unnecessary for us to go back all through the documents to find out these particular figures again. The two pages are not long.

The CHAIRMAN (Hon. Mr. Beaubien): But we have followed a regular procedure with all the rest of the documents, not to reprint any.

By Mr. Biggar:

Q. And then Exhibit 65 will be what?—A. The sheet numbered page 13 (a).

Q. What is page 13?—A. That is the master sheet, which appears in the record at page 426, at the top of the page.

Railway Operating Expenses, Dining and Buffet Car Service—based on year 1930, Exhibit "H," page 13 (a), filed and marked Exhibit 65.

Q. And what will be Exhibit 66?—A. It is captioned "Miscellaneous Income Items." On the right-hand side of the sheet is marked "Summary, Item 3." The total of this page ties in to page 416 of the record.

Q. We can deal with these papers as we come to them, so far as their substance is concerned.—A. Yes, sir.

Miscellaneous Income Items, Summary, Item 3, filed and marked Exhibit 66.

Q. And Exhibit 67?—A. The sheet numbered "Summary, Item 7."

Miscellaneous Departments, Colonization, Development and Insurance, Summary, Item 7, filed and marked Exhibit 67.

Q. And Exhibit 68?—A. The sheets marked "Summary, Item 8 (a), Item 8 (b) and Item 8 (c)."

Three sheets: Interest on Released Stores and Track Material, Summary, Item 8 (a); Salvage Value of Released Track and Station Material from Abandoned Lines, Summary, Item 8 (b); and Materials and Supplies—Based on year 1930, Summary, Item 8 (c), filed and marked Exhibit 68.

Q. What about that sheet marked "Summary, Item 8 (a)"? Is that reproduced in the record already?—A. Only the total is.

Q. Then you have got a sheet marked "Summary, Item 9"? Will that be Exhibit 69?—A. Yes, sir.

Interest on Reduction in Investment in Equipment, Summary, Item 9, filed and marked Exhibit 69.

Q. And then the last one is, "Estimated Savings Foregone if mileage not abandoned"?—That is Exhibit 70?—A. Yes.

Estimated Savings Foregone if Mileage not abandoned, filed and marked Exhibit 70.

Q. Will you tell us shortly what is involved in these general expenses, or have you anything to add to the description that is in the left-hand column of the summary on page 425?—A. General expenses are our expenses of administration charged to the railway as a whole. They include the accounting, financial, law, real estate, tax and claims departments. The principle of Exhibit No. 64 is familiar to you, as the primary accounts of supervision under maintenance of way and structures, maintenance of equipment and transportation have been presented to you in an identical form. The Canadian Pacific general expenses for 1930 were taken by certain primary accounts listed on Exhibit No. 64, and they were set up in proportion to the increase in mileage from the Canadian Pacific system to the unified system, and 20 per cent was taken off the figure so produced.

There is only one comment that I want to make about the result of that calculation. Where you have two presidents, two secretaries, two treasurers, two vice-presidents of every description and two accounting offices with all their auditors, the factor produced by this method of calculation certainly in my opinion does not over-state the amount of savings possible in an item of general expenses. While the superintendence items in the various primary accounts have been dealt with by past witnesses, it appears reasonable on a basis such as this, as I think anyone can see clearly, that in the consolidation of two headquarter staffs there is a great deal more scope than there is in a consolidation of outlying points where increased mileage, and so forth, has to be taken into account. There are numerous examples of overlapping effort that can be cited. Both railways are repeatedly appearing before the Board of Railway Commissioners; the officials of the two railways are members of the various railway associations, both in Canada and in the United States; both railways have a department dealing with labour matters; both railways keep practically identical books of accounts and statistics.

The second item on the page is that of salaries and expenses of clerks and attendants.

Q. You are covering really the first three lines by what you have just dealt with because you have a credit there?

By Hon. Mr. Robinson:

Q. Before leaving the first one, in charging up salaries and expenses you have a lot of salaries in the C.P.R. which, I suppose, would divide between the railway and other services?—A. Yes, sir. We make a distribution of our accounts between our activities railway and non-railway.

Q. What other activities?—A. Ocean services, hotels, and so forth.

Q. Do you carry out the same principle of division every year?—A. I think so, sir. If conditions radically changed we would change our distribution. I do not recall any change recently.

Q. It is a little difficult to arrive at your cost. It is just a question of an arbitrary division. These superintendents are not all railway superintendents, at least the general officers and employees are not purely railway employees?—A. The C.P.R. is a pretty broad system carrying on many activities, and we attempt to give you rail figures and non-rail figures—proper accounting. That is all that calculation means.

By Mr. Biggar:

Q. Is that the \$111,000 that you have deducted here?—A. Yes; because unification would not permit any saving in supervision of ocean services, for example, and we did not take off any savings. If we had applied this factor of reduction to all the Canadian Pacific expense of general officers, we would have obtained greater savings than what we felt properly applied to the railway.

Hon. Mr. BLACK: I gather Senator Robinson's question arises from the great difference in the figures of the first two columns in the first two lines, salaries and expenses of general officers. Those for one company are \$517,000 odd for the other company \$1,103,000 odd; and the salaries and expenses of clerks and attendants represent in one in round numbers \$2,000,000, and in the other \$4,000,000. It is a question whether those two items for the C.P.R. and the C.N.R. include just the same elements. Does the Canadian National charge \$1,103,000 for a different class or percentage of service than that for which the C.P.R. pays \$517,000? I should like to know.

[Mr. S. J. W. Liddy.]

By Hon. Mr. Calder:

Q. Are those blue book figures again?—A. Yes, these are the published figures of the Bureau of Statistics blue book.

Q. According to the instructions issued to the railway companies?—A. I presume both companies follow the instructions.

Q. Whose instructions are they?—A. There is a classification of accounts.

Q. Is that issued by the Railway Board?—A. I am not quite clear who is the authority behind it.

Q. What does it say on the outside?—A. This happens to be an I.C.C. book that I have. By whose authority the classification was issued is lost in the past. I think the classification was issued by the Board of Railway Commissioners.

Q. In any event it is followed by both railways?—A. Yes; unless there is a different interpretation of the language, both railways follow the same procedure. I cannot tell you if two accountants sat down whether they would make always identically the same distribution.

By Hon. Mr. Parent:

Q. You are called upon by the Board of Railway Commissioners to file reports, and I understand both companies file the same kind of reports giving similar information to the public at large, and that that information is afterwards to be found in the blue book; and your figures have been gathered from the blue book in question?—A. Correct, sir.

By Hon. Mr. Hugessen:

Q. Before you leave that item, Mr. Liddy, I wonder whether those figures in the first column having reference to 1930 for salaries and expenses of general officers and the savings which might be effected by unification bear any relation to the present position; for in the Canadian National, for instance, where their figure was \$1,103,000 in the year 1930, I see for the year 1937 it is down to \$400,000; and with reference to the second item, salaries and expenses of clerks and attendants, in 1930 their figure was \$4,000,000, and for 1937, \$3,039,000. Those are exactly the same items as in the Canadian National reports, which I suppose are prepared for the purpose of the blue book.

Hon. Mr. CALDER: How do the C.P.R. figures stand in 1930 and 1937?

Hon. Mr. HUGESSEN: The C.P.R. do not give such details of their items. They give only eight items of working expenses, while the Canadian National gives details of every single item in its annual report. The items in the Canadian National annual report are almost exactly the same as we have been going through the whole day and yesterday—the different items of expenses of all kinds.

Hon. Mr. CALDER: It seems to me the only thing we could do would be to get the blue book for 1937, if it has been published. Those are the figures we ought to take. We do not know just what they include in that annual report, whether they cover the whole ground that is covered by the other.

Hon. Mr. HUGESSEN: They are exactly the same item by item as this statement Exhibit H, which has the same heading as under this item H of the C.N.R. Obviously it is a general system which is being enforced upon the railways for their methods of accounting.

Right Hon. Mr. MEIGHEN: What year?

Hon. Mr. HAIG: 1937.

Right Hon. Mr. MEIGHEN: Are they in the report just out?

Hon. Mr. HUGESSEN: That came out a month ago.

Hon. Mr. PARENT: These figures are for 1930.

Hon. Mr. BLACK: That report shows there has been a very material reduction between 1930 and 1937 as regards salaries and expenses of general officers. It does not show there has been such a great reduction in the salaries and expenses of clerks and attendants.

Hon. Mr. ROBINSON: About 25-per cent.

The WITNESS: For the year 1930 the Canadian Pacific figure for salaries and expenses of general officers was \$587,000. It dropped to a low point in 1934 of \$419,000. It has increased since 1934 and in 1937 stands at \$428,000. The corresponding figure for the Canadian National in 1930 was \$1,104,000. It dropped to a low in 1936 of \$381,000, and increased slightly in 1937 to \$400,000. In that drop from \$1,000,000 to \$400,000 I note there is a very decided drop in the year 1923. For 1932 the figure stood at \$806,000, and for 1933 it was \$451,000—almost a 50 per cent drop in one year.

Right Hon. Mr. MEIGHEN: You must have had a good president then.

Hon. Mr. BLACK: At all events it means that at the present time the whole expense is getting closer together.

By Hon. McRae:

Q. Does it not mean that the expense for the Canadian National for last year was practically the same for the Canadian Pacific?—A. Yes; a comparison of \$428,000 with \$400,000 odd for that one item.

By Hon. Mr. Haig:

Q. All those figures to my mind prove that your estimate of cost is absolutely correct.—A. These are official figures, yes, sir.

Q. Or too high; one or the other. That is all it proves. The two figures are \$428,000 and \$404,000. You have \$975,000 for the whole thing. Your figures apparently are too high for the operation.—A. I think the committee which handled this estimate did not overstrain themselves in—

Q. In cutting down?—A. In setting the amount of savings.

By the Chairman (Hon. Mr. Beaubien):

Q. They were being very conservative concerning the amount to be saved?—A. That is my impression, yes, sir.

By Mr. Biggar:

Q. That covers the first item. You have nothing more to say about that—salaries and expenses of general officers—and you were going on.

By Hon. Mr. Robinson:

Q. A saving of \$677,000 on \$800,000 would be rather large, would it not?

Right Hon. Mr. MEIGHEN: There must be some special explanation.

By Mr. Biggar:

Q. Yes?—A. The next item, salaries and expenses of clerks and attendants—

Q. Yes?—A. In many respects the consolidation of the staffs of two offices makes possible economies of a nature parallel to those possible in a consolidation of executive positions. Each office would have a chief clerk, a secretary, a mail clerk, and the various specialized positions depending on the character of the work being done. It is a fact that more individual clerks would be required to run an office in which a larger volume of work has to be handled, but a substantial reduction in staff could be effected by the increased opportunity for

[Mr. S. J. W. Liddy.]

specialization of work and by the elimination of positions purely duplicate in function. Then again, the clerical work involved in settling accounts between the two railways both as regards revenues and expenses represents a considerable expenditure, all of which would be eliminated with a common treasury. Also the work of the two railways overlap in many ways in their various settlements with other railways.

Take the accounting for pool train service. Our car accountant follows the record of the car at each movement it makes; our auditor of passenger receipts records the revenue that is accrued; the auditor of disbursements passes the vouchers. And the other road must keep identical accounts in order that we may check each other. That is just one type of saving in clerical expense that you can get only through unification.

Now, these reductions that have taken place in respect to the expenditures in toto are savings of a character almost entirely different from those envisaged under unification. There has been no consolidation of the C.P.R. and C.N.R. We have not touched that type of economies. All that has been done is to say that if in 1930 we spent \$100 on a certain kind of work, and in 1937 spent \$80, the possibilities for economy through consolidation are only 80 per cent. That is true. Perhaps I may expedite your case by saying I know there is a question you want to ask, namely, What is the situation for the future?

By Hon. Mr. Horsey:

Q. Here you claim that under unified management you can do this \$700,000 cheaper than the Canadian National do it alone; that the salaries and expenses under unified management would be \$700,000 less—

Right Hon. Mr. MEIGHEN: After 1930 they reduced that \$1,000,000 themselves.

Hon. Mr. HORSEY: I am taking the figures as they appear.

Right Hon. Mr. MEIGHEN: Senator Hugessen brought that out.

The WITNESS: It is very difficult to say what the cost of general expenses will be when average or normal conditions again return to the railways. Many of the economies that have been made have been effected under distress conditions. The figures I have cited by years during the depth of the depression almost prove my point without further comment. But if salaries have been cut drastically under the stress of the depression, I do not think they are in the class of what we might call "permanent economies."

To the extent that such reductions are a temporary expedient, they will eventually disappear. I believe, however, that some permanent savings have been made.

In 1930, for the two railways combined, the general expenses totalled \$4,556,000; in 1937 the total expenditures for general expenses of the two railways were \$13,957,000. The difference is not very great. The reason for that is that some of the items have gone up. Pensions have gone up substantially. Making those items of expenditure which are listed in Exhibit No. 64—only those items for which economies have been computed—the expenditures for the year 1937 represent 74 per cent of the expenses for the year 1930. On the basis of wage rates in effect since April 1, 1938, I would judge that these items of general expenses at present are running approximately 78 to 80 per cent of the 1930 level. For the year 1937, the total revenues of the Canadian Pacific and the Canadian National represented 78 per cent of the revenues for the year 1930, and the total operating expenses 79 per cent. The total revenues for the year 1938 may or may not equal those of 1937, while it would appear that total operating expenses will exceed those of 1937. It will thus be appreciated that the items in General Expenses for which savings have been computed are to-day about the same position in relation to 1930 as are the total revenues and expenses of the two companies.

By Hon. Mr. Hugessen:

Q. But the distribution is very different. The only item of the Canadian National which has gone up between 1930 and 1937 is pensions. In 1930 it was \$2,158,000, and in 1937 \$3,865,000. You do not anticipate making any saving on pensions under unification?—A. That is not one of the items I have included in the items I have aggregated for you. If you will refer to Exhibit 64 you will see that the only items computed are those of salaries and expenses. Those which have not been computed have been ignored.

By Hon. Mr. Horsey:

Q. Do you assume that under unification the salaries and expenses of clerks and attendants would be less than they were under the Canadian National for 1930? You made these calculations in 1932 on the basis of 1930?—A. I think I am coming to your point. I will be only one more minute. If it be assumed that when revenues again return to 100 per cent of the 1930 level these items of general expenses will have returned to 90 per cent of the 1930 level, a 10 per cent permanent saving would be indicated if they could be held to that percentage. On the basis of this assumption, the estimate of 1930 would be reduced by \$428,900. That is to reflect future conditions.

By Mr. Biggar:

Q. The estimate of savings or of outgo?—A. The estimate of savings. Now taking 90 per cent—

By Hon. Mr. Calder:

Q. That is if it can be held?—A. That is the qualification, sir.

Q. That is very important.—A. Sir Edward Beatty, in his testimony on page 584 of the record, seemed to indicate that there had been some economies of a permanent nature in general office reorganization. I cannot tell you that the level is going to remain at 90 per cent. All I know is that to-day it is in the same relative position to 1930 as are the total revenues and total expenses of the company. If they do not go up to 100 from 80, but only to 90, and the revenue goes up to 100, this means a 10 per cent reduction in the amount of savings. I only present that to you so you will have the import and the effect of what might be called permanent economies in the matter of general expenses. Does that answer the question?

By Hon. Mr. Horsey:

Q. I am taking this statement that you based on 1930, and which you made in 1932. I notice the figures here for salaries and expenses of clerks and attendants. Here are the figures. Under the estimated total of the combined railway operation as a unit, you have \$3,330,835, and at that time the Canadian National had for salaries and expenses \$4,016,992. What I was asking was, do you expect that you will be able to operate the unified system with less salaries and expenses for clerks and attendants than the Canadian National could operate for in 1930?—A. Let me answer you this way. In 1930 the Canadian Pacific general expenses for clerks and attendants were \$1,929,353. The addition of \$1,400,000 gave the figure that is in this exhibit. Now, is it not intended in the presentation of this exhibit, to take each primary item as a fact conclusive in itself. The items are all added up together and the same factor of increase and decrease applied, so that to get a fair picture you must take the total result, and the total result—

Q. That comes from the blue books?—A. These figures of the Canadian National and the Canadian Pacific are official figures, yes.

[Mr. S. J. W. Liddy.]

Q. Then if you go over two or three columns you will find that under unification the salaries and expenses for clerks and attendants will be \$3,330,835. That gives a saving of \$2,000,000.—A. That is right, sir.

Q. That means, according to you, that under unification the expenses and salaries would be less than what was required by the Canadian National in looking after their own.

Hon. Mr. CALDER: That is for one year only.

Hon. Mr. HORSEY: Yes, but that is the year we are dealing with, and the savings are based on that. If we are going to change the year, where are we going to get to?

Hon. Mr. CALDER: I think the figures, if they mean anything, mean that the first two items, \$1,103,967 and \$4,016,992 were excessive.

By Mr. Biggar:

Q. If I have understood you, Mr. Liddy, what you have done here for the purpose of arriving at this saving of \$2,668,672, is to assume that the additional mileage of the combined railways could be operated at the same cost, proportionately, as the Canadian Pacific was already operating its own mileage for. Is that the position?—A. That was the general rule set up for all supervisory accounts,—maintenance of way supervision, transportation supervision, and so on. And there we have what you might call general supervision.

Q. You do not know anything about the soundness or otherwise of the figure of \$4,016,992 for the Canadian National? That is a figure that you got from the blue book?—A. No, I do not know the details of that.

Q. That is a figure that you got from a blue book?—A. That is right, sir.

Q. Now, will you tell the committee exactly how you transfer \$1,920,353, the Canadian Pacific cost for that, into \$3,330,835? You are adding several thousand miles, but what are you deducting?—A. Deducting 20 per cent, sir. The basis is indicated on Exhibit 64, in the remarks column.

Q. You mean that that remark shows how you are actually getting that?—A. Yes. I might say I did not make this calculation myself. It was made by the Committee of the Canadian Pacific officers who handled the unification study. True, I was statistician at the time, and statisticians cannot get away from figures; but the committee handled this particular work, and I think you must take their method as a whole. If you will look at the items on Exhibit 64—

By Hon. Mr. Horsey:

Q. I notice you state that the estimated total for the combined railways, operated as a unit, is \$9,199,755, which is less than the general expenses of the Canadian National system alone. That is, according to this estimate, you could do all your own work of this class and the Canadian National work for less than what it costs the Canadian National now.—A. That is the way that one item works out, sir. May I point out that the figure of \$4,289,005 represents a reduction in total from the total of the combined railways operated separately of 40 per cent. Between the years 1930 and 1937 the railways individually true, to some extent, by wage reductions—were able to effect a reduction of 30 per cent. I submit that if one railway can make a reduction individually to the extent of 30 per cent, it gives you a little measure as to what can be done collectively.

Q. But your officers did not have that information in 1932.

Hon. Mr. HAIG: They had a little of it in 1932. That was after 1929.

By Mr. Biggar:

Q. If you would confine yourself to how these figures are arrived at and devote yourself to the individual figures, I think we would get on faster.—A. I have finished with this exhibit, unless there are some questions.

Q. All these figures, for general office supplies and expenses, law expenses, stationery and printing, and insurance, are arrived at in the same way, are they?—A. Yes sir, as indicated on the exhibit itself.

Q. I think you must be wrong about that, are you not? I observe that the insurance figure is down only about something less than \$40,000 from \$362,829, whereas the stationery and printing figure and the other figures above it are considerably up. So obviously the two columns cannot be arrived at on the same basis.

By Hon. Mr. Robinson:

Q. How are you going to carry on the insurance for the united companies for less than it cost the Canadian Pacific alone?—A. That is not quite right, sir. Perhaps I should have explained that. In 1930 the Canadian Pacific insurance expenses were all carried under the account of general expenses. The Canadian National distributed their insurance expenses among their primary accounts, so much for maintenance of way, so much for equipment, and so on. This saving here on this page is practically all due to what we consider we could reduce the Canadian Pacific expenses only by, and as the measure of that reduction we have taken the proportion of Canadian Pacific abandoned mileage, proposed, 1,705 miles, to the Canadian Pacific system mileage of 16,658 miles.

By the Chairman (Right Hon. Mr. Graham):

Q. Does the Canadian Pacific carry its own insurance in the main?—A. We have an insurance department, yes sir, but we do reinsure to some extent.

Q. Still, you are paying for it, for the reinsurance?—A. Yes sir.

Q. The Canadian National, I understand, carries its own insurance.—A. I do not know about that, sir.

Q. I think you can take it from me, because I introduced it, as Minister. It carries its own insurance, and now has \$11,000,000 in securities on hand, after paying its insurance. That is just a matter of information. I was wondering if you did the same.—A. Yes sir, to some extent, but we also reinsure with outside companies.

By Hon. Mr. McRae:

Q. That is, you insure at some point where there is a big risk?—A. I would not want to prejudice the insurance department's business.

By Hon. Mr. Murdock:

Q. It was intimated a few minutes ago that there was a material reduction in salaries and expenses of clerks and attendants in 1933-34 on both railways. The figures quoted, I think, were materially less than those we have before us for 1930 or 1937?—A. That is correct.

Q. Is it not a fact that in 1933 and 1937 all of those clerks and attendants were receiving a 20 per cent reduction in wages?—A. I believe for a short period of time they did receive a 20 per cent reduction. It was very short, sir.

Q. Not through all of 1933, but all of 1934, was it not? Vice-President Neal shakes his head. I should like to get that point clear.—A. I could look it up for you and give you the exact dates, sir.

Q. And what the deduction was. It was first a 10 per cent reduction and then another 10 per cent reduction.—A. My recollection is that it was for a very short period.

Q. And two tens make twenty.

By Hon. Mr. Cote:

Q. But the executive officers of the Canadian Pacific were not fired for having made those reductions?—A. No.

[Mr. S. J. W. Liddy.]

By Mr. Biggar:

Q. Will you go to Exhibit 65?

By Hon. Mr. Robinson:

Q. Were those exhibits available to the Duff Commission?—A. They did not ask for the details.

Q. Were they made up?—A. At the time the estimate was made up, before even the figures were submitted to the Duff Commission. You will notice there are page numbers. They were all in one book at one time, but they were never asked for, and that is the reason they were not supplied.

By Hon. Mr. Haig:

Q. I see you cut down on lawyers in your estimate. That is a sad thing to do.

Hon. Mr. McRAE: There seems to be lots of room for that.

Right Hon. Mr. MEIGHEN: I approve of that.

By Mr. Biggar:

Q. Will you go on with Exhibit 65, dining and buffet car service?—A. The master sheet supports the details. The master sheet appears in the record at page 426. There is only one item of saving out of the six items recorded in this statement. The first item, dining and buffet car service, shows a net saving of \$918,249.

Q. How is that calculation made?

By Right Hon. Mr. Meighen:

Q. Before you go to that, may I ask a question? I find much difficulty following this through. What is included in that item of all other expenses? Refer me on the master sheet to "All Other Expenses."—A. Would you refer to page 422 of the printed record, sir?

Q. General expenses is on your master sheet; it covers general expenses which is a single item of Exhibit "H" at page 422.—A. No, I have passed general expenses. This is a different account.

Q. General expenses is on your master sheet; it covers general expenses and nothing else.—A. I think if you would look at page 422 of the record, I can help you.

Q. If you look opposite the item "General" you will find exactly the totals that appear on Exhibit "H," page 12, your master sheet of this Exhibit 64—

Mr. BIGGAR: All that is on the next page, Senator.

Right Hon. Mr. MEIGHEN: No, it is not. As I understand it, these subsidiary sheets are explanatory of this master sheet.

The WITNESS: That is correct, sir.

Mr. BIGGAR: I can explain it, I think, in a minute.

The WITNESS: Have you got page 13, that is the master sheet?

Mr. BIGGAR: You are talking about two different things. I think I can explain it.

By Right Hon. Mr. Meighen:

Q. Is that your master sheet?—A. Yes, sir.

Mr. BIGGAR: That is the second one, but it has nothing to do with the first master sheet.

By Mr. Biggar:

Q. You are going on to that item of car service \$918,249, and the details in regard to that begin at page 13 (a)?—A. The two columns at the left-hand side of page 13 (a) showing total expenses of \$2,227,656 for the Canadian Pacific and \$4,766,299 for the Canadian National and Canadian Pacific combined are Blue Book figures.

Q. This is all Exhibit No. 65.—A. We break down the Canadian Pacific costs between expenses on account of food eaten by passengers and all other expenses. The same break-down was obtained for the Canadian National.

Q. Not the Canadian National, the combined systems.—A. Excuse me; the combined systems. The expense dependent upon the passengers is not reduced; there is no saving. In other words, we assume the passenger will eat the same amount of food after unification as he did before.

Hon. Mr. Dandurand:

Q. The number of passengers being the same?—A. That is the fundamental reason, yes, sir. But the rest of the expenses will depend upon the number of trips and miles your dining-cars make, and that reduction was 24 per cent. We take 24 per cent of the expenses that depend upon the car miles, and we then obtain a figure of \$2,845,000 as the new figure for the balance of the expenses.

Carrying forward the new figure of dining-car expenses onto the master sheet, that is page 13—

By Mr. Biggar:

Q. You had better say at page 426 of the proceedings.—A. —produced a net saving for the dining-car operation of \$918,249. Since this estimate was made there have been pooling services instituted, and a new figure of passenger train service has been submitted to the committee. As close as I can calculate that new figure, and the effect of the pooling of dining-cars, that will reduce this saving by one-third.

Q. One-third?—A. Yes. The \$918,000 odd will be reduced by one-third.

By Hon. Mr. Horsey:

Q. What does that credit of transportation for investment mean, the \$1,432,000 odd?—A. When a railway company hauls freight for capital purposes, it is the cost of hauling of that freight in its various primary accounts, such as wages of the train crews, fuel, and so on, and it credits operating expenses at some reasonable figure which will compensate its expenses for the additional cost entailed. That charge is added on to the cost of the new work being constructed. It is not a tariff rate, it is a reasonable figure to represent cost.

By Mr. Biggar:

Q. The next exhibit is 66.—A. Exhibit No. 66 shows only two items of savings.

Q. One for hire of equipment and the other for separately operated properties?—A. The item of hire of equipment represents a saving in the quicker return movement of foreign cars because of the greater number of connections that are available to the unified system. That, I understand, was explained to you the other day by Colonel Pyne. This represents a saving in car hire. He was dealing with savings in transportation expenses.

By Right Hon. Mr. Meighen:

Q. That is your saving in car hire?—A. The rental, yes, sir.

[Mr. S. J. W. Liddy.]

By Mr. Biggar:

Q. It is calculated in the same way and on the same number of cars by reference to the time of the return instead of the distance for the return?—A. It is car days translated into money.

The last item on Exhibit No. 66 is a saving of \$161,135. It represents a net saving at Montreal where the two companies have two abattoirs. The other item in this figure of \$161,135, represents a saving due to the abandonment of 88 miles of Canadian Pacific electric line between Port Dover and Paris. These items are small.

Q. We can let that go at that.

Hon. Mr. CASGRAIN: Those abattoirs of the Canadian National and the Canadian Pacific at Montreal are no good now. The others can do all the business.

Hon. Mr. HAIG: That is what he says.

By Mr. Biggar:

Q. We are going on to 67.—A. Exhibit No. 67 shows a saving of \$300,000 in three departments, colonization and immigration, development and natural resources, and insurance. The saving is \$200,000 in the first two mentioned departments and \$100,000 in the last one. These savings were made by the respective officers in charge of the departments. They are an appraisal. They know the situation and they appraise it.

Q. I see. You cannot tell the committee what the facts were?—A. I cannot. It was done by the officers in charge.

Q. Including insurance?—A. Yes, sir.

Q. You might tell us just why you get insurance in there and also in Exhibit No. 64.—A. Insurance in Exhibit No. 67 is the cost of administration of the department; the other expenses that we find in the primary account were the premiums charged to that department.

Q. I see. Do you want to go on to No. 68?

By Hon. Mr. Dandurand:

Q. I do not see how you allocate savings on insurance, unless you were insuring buildings or stations that would disappear.—A. This represents, sir, purely administrative staffs.

Q. Administration? I see.

By Mr. Biggar:

Q. Exhibit No. 68?—A. This Exhibit No. 68 is headed, Interest on Released Stores and Track Material. The saving of \$1,700,000 is carried forward to item (a) on page 416 of the record.

The sheet reading Summary Item 8 (b)—

Q. The next sheet?—A. —is an engineering estimate of the salvage value of material that would be released on the abandoned lines. This sheet Summary (c) shows a reduction in materials and supplies that could be effected if there was one storekeeper, one supply depot instead of two in each case as at the present time. Bringing forward the details from sheets (b) and (c) to the master sheet, item 8 (a) shows a reduction.

Q. Exhibit No. 68?—A. Yes, sir. It shows a reduction on released stores and track material of \$34,000,000, which at 5 per cent interest gives an annual saving on the investment of \$1,700,000.

By Right Hon. Mr. Meighen:

Q. How long will it take you to effect that?—A. I think that ought to accrue almost immediately.

By Hon. Mr. Dandurand:

Q. Is it based on abandoned lines of 5,000 miles odd?—A. It is predicated on the total abandonment. The whole \$1,700,000 will not accrue the first year, but you will start to make savings in your supplies immediately you start to consolidate, and it will build up.

By Mr. Biggar:

Q. Go on to Exhibit No. 69.—A. Exhibit No. 69 shows a saving of \$4,650,000, due to a less quota of equipment that would be necessary on the unified property due to reduction in mileages. These figures I think probably of mileage reductions are already familiar to you.

Q. Yes.—A. The percentage reductions are: in locomotive miles, 12·2 per cent; in freight train car miles, 3·3 per cent; in passenger train car miles, 14·9 per cent; in road mileage through line abandonment, 12·2 per cent. Applying those percentages of reduction to the equipment inventory produced the number of released units which you see in column 5. Those units released due to reduced mileage were appraised at average book values, and produced a total reduction in investment in equipment of \$92,897,100, and at 5 per cent interest that produced an annual saving of \$4,650,000.

Now, there are some comments in connection with this. The first is, it is true, as the statement reads, that this is the reduction in investment in equipment. But as the unified railway would not have to purchase new equipment for a period, the real measure of the savings will eventually be the cost of new equipment, not an average cost on book figures. The locomotives were appraised at an average value of \$59,196. You cannot buy a locomotive to-day for \$59,000. Mr. Newman said the cost would be \$100,000 to \$125,000.

Then, as to freight equipment. The appraised book value, probably extending over-five years, is \$1,174.

By Mr. Biggar:

Q. You need not read them.—A. \$3,000 is to-day the cost of a freight car. And the passenger equipment would cost \$60,000 instead of \$40,000. If I had used current values, instead of an investment of \$92,000,000 being saved an investment of \$152,000,000 would be saved.

Q. And your 5 per cent instead of being \$4,650,000 would be?—A. \$7,600,000.

Q. So, on a strict accounting basis that figure of \$4,650,000 is some \$3,000,000 too little?—A. That is right.

Now, when you purchase equipment you have the cost of carrying the capital, you have the cost of maintaining that equipment, and you have the cost of the wasted capital. Some day that equipment will wear out, and you will have to find new money to purchase equipment to replace it. Under maintenance of equipment Mr. Newman dealt only with the maintenance of the equipment itself; he did not deal with the wastage in capital.

Q. No.—A. This exhibit deals only with the carrying charges on the investment. There will come a time later when another \$152,000,000 will have to be found, when this equipment wears out. If you amortize \$152,000,000 at 3 per cent, you get an annual charge of \$4,560,000 in addition.

Q. In addition to your figure of \$8,000,000 odd?—A. Yes, sir.

By Hon. Mr. Casgrain:

Q. What is the life of a freight car?—A. It varies, sir, but I would say from 25 to 30 years. It varies according to the type of the car and the service it is employed in.

[Mr. S. J. W. Liddy.]

By Mr. Biggar:

Q. Let me know whether I have understood you about the reduction in investment on equipment. Do you mean to say that the roads unified could get along on the basis upon which this exhibit has been prepared with \$92,000,000 less capital invested than they could separately?—A. That is right, sir.

Q. And do you think that figure of a possible capitalization should be \$152,000,000 instead of \$92,000,000?—A. It would come up to that.

Q. And then you say another \$152,000,000 would be required?—A. In the future. And each year you will have to make provision for that amortization of equipment that is wearing out.

Q. You have now dealt, in what you have been saying for the last quarter of an hour or so, with items 7, 8, and 9, on page 416?—A. That is right.

Q. I think, then, you have covered everything that I understood you were to cover, except item 3, "Miscellaneous income."—A. I covered that, sir.

Q. You did?—A. Yes, sir.

Q. Then, that is all right. Then you were going to give us some figures with regard to the effect on all these estimates of retaining the 5,000 miles, the abandonment of which was in question.—A. That is Exhibit No. 70.

Right Hon. Mr. MEIGHEN: That is pretty important. I do not think we should deal with it now.

Mr. BIGGAR: It is done in a very simple way. Instead of going over all the estimates and making deductions, the calculation simply takes the form of providing services on these lines and maintaining it. You have it taken off first in fifty items, and put back in one.

By Mr. Biggar:

Q. Can you tell us shortly as to the dependability of this statement, Exhibit 70, with regard to the cost of giving the service described in it?—A. The figure of \$1.75 per train mile, which is exclusive of the maintenance of the line itself, was determined from an analysis made of a tri-weekly train service that we had on our own line, with the stations serving the tri-weekly service and the train crews as that train ran.

By Hon. Mr. Casgrain:

Q. Was that a mixed train?—A. Yes, sir, it was a mixed train. Now, that includes all items of expenditure, maintenance of equipment, train crews, fuel, station employees, car service, general expenses—all items of expenditure and operating expenses apart from the maintenance of the line.

Q. Would you be surprised if you were told that I myself ran a railway at 33 cents a mile?—A. We cannot do it to-day.

Right Hon. Mr. MEIGHEN: You have not got any men like that.

Some Hon. SENATORS: Oh, oh.

By Mr. Biggar:

Q. Yes?—A. The \$900 cost to maintain the line per mile was applied by the Engineering Department.

Q. I think one of the witnesses gave that figure.

By Right Hon. Mr. Meighen:

Q. I understand that, but would that take care of the savings that you have already estimated as part of your total savings under the heading, say, of interest on salvage values of property on the lines proposed to be abandoned?—A. I was coming to that. This calculation is the total cost of the train service and of maintaining the line. There is no revenue offset against this. We put back the service. I do not know what the revenue is on these lines.

Q. I see.—A. Some of these are thin traffic lines, but whatever train service is necessary will surely earn some revenue. If it is insubstantial, all I can say is that it is my opinion the revenue will balance all the other items that are not in here.

Q. You are assuming that you are putting this back on an empty track?—A. That is right. If the revenue pays for 50 per cent of the cost it would mean \$2,600,000.

By Mr. Biggar:

Q. You cut this deduction in half?—A. Yes, sir; and if the revenue comes back sufficiently to warrant a greater service than tri-weekly service, it will surely pay for the whole service.

Q. But if you take \$7,240,000 off the \$75,000,000, you are providing for a service that is closed entirely without a cent of return?—A. That is right, sir. In addition, some of these lines on which this calculation provides for a tri-weekly service may very closely parallel another line that is well serviced with passenger trains, and you can easily divert some of those trains on to this line, and eliminate the cost of the train service I have calculated.

Mr. BIGGAR: Exactly. Well, that covers the ground.

The CHAIRMAN (Hon. Mr. Beaubien): Half-past ten to-morrow.

The committee adjourned until to-morrow at 10.30 a.m.

EXHIBIT No. 60

EXHIBIT "H"

DETAILED DEVELOPMENT OF RAILWAY OPERATING EXPENSES—TRAFFIC
EXPENSES—BASED ON YEAR 1930

(Supplementing statement appearing at page 424)

	Canadian Pacific System	Canadian National System	Northern Alberta & Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
Superintendence—						
Rail.	\$ 1,204,616	\$2,214,273	\$ 7,140	\$ 3,426,029	\$ 2,102,117	\$1,323,912
Steamship.	201,409	....	....	201,409	201,409	....
All Agencies—						
Rail.	3,147,501	3,179,330	1,857	6,328,688	3,990,000	2,338,688
Steamship.	1,882,461	....	....	1,882,461	1,882,461	....
Advertising—						
Rail.	1,539,066	1,872,517	963	3,412,546	1,870,861	1,541,685
Steamship.	1,421,000	....	....	1,421,009	1,421,009	....
All Other—						
Rail.	568,516	1,399,532	15,775	1,983,823	1,412,591	571,232
Steamship.	311,278	....	....	311,278	311,278	....
Total.	\$10,275,856	\$8,665,652	\$25,735	\$18,967,243	\$13,191,726	*\$5,775,517
Railway only.	\$ 6,459,699			\$15,151,086	\$ 9,375,569	*Namely 38% of \$15,151,086

COMPARISON OF ESTIMATED NET SAVINGS IN RAIL TRAFFIC EXPENSES—
BASIS YEAR 1930—AS MADE BY CANADIAN PACIFIC RAILWAY AND
CANADIAN NATIONAL RAILWAYS

	Canadian Pacific Railway Exhibit "H", Page 424		Canadian National Railways Page 486 of the Record	
	Dollars	%	Dollars	%
Superintendence.	1,323,912	39	1,400,000	40
All Agencies.	2,338,688	37	3,000,000	47
Advertising.	1,541,685	45	2,000,000	58
All Other.	571,232	29	400,000	20
Total.	5,775,517	38	6,800,000	45

RAILWAY OPERATING EXPENSES

Superintendence—Traffic—Rail—Based on Year 1930

	Canadian Pacific Railway		Estimate for combined systems operated as a unit	
	No. of office units	Total expense	No. of office units	Total expense
Freight:				
Headquarters.	1	\$ 70,000	1	\$130,000
Regions.	2	300,000	4	550,000
Districts.	8	231,720	13	401,545
		\$601,720		\$1,081,545
Passenger:				
Headquarters.	1	\$ 55,000	1	\$ 95,000
Regions.	2	503,366	4	925,572
		\$558,366		\$1,020,572
Subsidiaries.		\$ 44,530		....
Total.		\$1,204,616		\$2,102,117

SPECIAL COMMITTEE

TRAFFIC EXPENSES

(Exhibit "H," Pages 423 and 424 of the Record)

OUTSIDE AGENCIES—RAIL—BASED ON YEAR 1930

	Canadian Pacific Railway			Estimate for combined systems operated as a unit		
	Passenger	Freight	Total	Passenger	Freight	Total
Canada:						
Eastern Canada.. . . .	\$631,175	\$184,679	\$815,854	\$661,000	\$262,000	\$923,000
Western Canada.. . . .	261,641	155,408	417,049	271,000	146,000	417,000
United States.. . . .	506,644	525,074	1,031,718	850,000	850,000	1,700,000
Europe.. . . .	311,358	224,839	536,197	350,000	250,000	600,000
Orient.. . . .	85,352	76,104	161,456	100,000	100,000	200,000
Commissions.. . . .	107,089	34,851	141,940	115,000	35,000	150,000
Subsidiaries.. . . .	21,644	21,643	43,287	....	....	....
Total.. . . .	\$1,924,903	\$1,222,598	\$3,147,501	\$2,347,000	\$1,643,000	\$3,990,000

RAILWAY OPERATING EXPENSES

Traffic Expenses—Rail

Advertising—Based on Year 1930

	Canadian Pacific Railway		Total Combined Systems Operated Separately	Estimated Total Combined Systems Operated as a Unit	Remarks
	Amount	%			
Rail Advertising					
Duplicated.. . . .	\$ 874,959	56.85	\$1,940,032	\$ 776,013	Reduced 60%
Partially duplicated.. . .	486,653	31.62	1,079,047	701,381	Reduced 35%
Exclusive Canadian Pacific Railway.. . . .	177,454	11.53	393,467	393,467	
Total Rail.. . . .	\$1,539,066	100.00	\$3,412,546	\$1,870,861	

RAILWAY OPERATING EXPENSES

Traffic Expenses—Rail

Other Accounts—Based on Year 1930

	Canadian Pacific System		Northern Alberta & Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
Traffic Associations—						
Rail.. . . .	\$108,746	\$ 110,552	\$ 1,329	\$ 220,627	\$ 132,376	\$ 88,251
Traffic Associations—						
Steamships.. . . .	11,876	.....	.....	11,876	11,876	.....
Industrial Bureaus.. . . .	81,437	149,586	.....	231,023	138,614	92,409
Colonization, Agricultural & Natural Resources .. . . .	.....	545,110	10,363	555,473	555,473	(*)
Insurance.. . . .	.....	254	17	271	271	.....
Stationery & Printing—						
Rail.. . . .	353,105	421,374	4,066	778,545	467,127	311,418
Stationery & Printing—						
Steamship.. . . .	63,482	.....	.....	63,482	63,482	.....
Other Expenses—Rail.. . . .	25,228	172,656	.....	197,884	118,730	79,154
Other Expenses—Steamship	235,920	.....	.....	235,920	235,920	.....
Total.. . . .	\$879,794	\$1,399,532	\$15,775	\$2,295,101	\$1,723,869	\$571,232

* (See Summary Item 9).

EXHIBIT No. 61

ESTIMATED GAIN IN GROSS FREIGHT REVENUES MADE BY
CANADIAN PACIFIC RAILWAY

(Exhibit "G"—Page 421 of the Record)

	No. of Tons	Amount per ton	Gain in Revenue
1. Re-routing of Canadian-National-Canadian Pacific and Maine Central R.R. interline traffic through Portland, Me., instead of North Stratford, N.H., and St. Johnsbury, Vt.	422,000	32c.	\$135,000
2. Re-routing of Canadian Pacific traffic from and to New England territory served by the Boston & Maine R.R., Boston & Albany R.R., and New York, New Haven & Hartford R.R., through the medium of the Central Vermont Ry., instead of through Wells River, Vt., as at present.	820,000	25c.	200,000
3. Re-routing of Canadian Pacific traffic from and to Eastern United States territory served by the Delaware & Hudson R.R. and connections, through the medium of the Canadian National System to Rouses Point, N.Y., instead of in connection with the Napierville Jet. Ry.	862,000	25c.	200,000
4. Re-routing of Canadian Pacific traffic to and from Eastern United States territory through Niagara Frontier, using the Canadian National System instead of the Toronto, Hamilton & Buffalo Ry. and Michigan Central R.R.	1,200,000	75c.	900,000
5. Re-routing of Canadian Pacific-Great Lakes Transit Corporation traffic via Windsor, Ont., to Canada Atlantic Transit Co. via Depot Harbour, Ont.	30,000	\$3.00	100,000
6. Re-routing of Canadian National-Northern Navigation Co. traffic via Sarnia (Point Edward) Ont., to Canadian Pacific Ry. (Upper Lakes Steamers) via Port McNicoll, Ont.	209,040	\$3.00	600,000
Total.			\$2,135,000

EXHIBIT No. 62

EXHIBIT "H"
Page 9DETAILED DEVELOPMENT OF RAILWAY OPERATING EXPENSES—
TRANSPORTATION RAIL LINE—BASED ON YEAR 1930

(Supplementing statement appearing at page 424)

	Canadian Pacific System	Canadian National System	Northern Alberta & Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
Superintendence ..	\$ 2,454,481	\$ 4,101,523	\$ 40,249	\$ 6,596,253	\$ 5,305,783	\$ 1,290,470
Despatching Trains ..	1,235,475	1,508,596	13,841	2,757,912	2,206,330	551,582
Station Service ..	12,767,558	18,473,097	424,321	31,664,976	28,194,026	3,470,950
Yard Service. . . .	10,728,525	18,588,634	205,893	29,523,052	25,578,586	3,944,466
Train Service. . . .	38,127,432	51,144,796	497,984	89,770,212	76,554,663	13,215,549
Telegraph and Telephone Operation.	414,033	4,720,114	15,137	5,149,284	5,149,284	See Ex. "I"
Express Service ..	.....	6,239,097	7,555	6,246,652	6,246,652	See Ex. "J"
Other	4,348,868	7,206,430	48,387	11,603,685	10,082,326	1,521,359
Total.	\$70,076,372	\$111,982,287	\$1,253,367	\$183,312,026	\$159,317,650	\$23,994,376

EXHIBIT "F"
(A)

PRESENT AND PROPOSED SUPERVISORY UNITS

			Present			Proposed region "A"							
Railway	District	Division	Mileage			Despatchers	Remarks						
			Present	To be abandoned	Re-remainder			Total district	Despatchers	District mileage	Division	Mileage	District
Can. National	Atlantic	Halifax	504	22	482	5	Moncton	Halifax	8	Comprises all of the Divisions shown opposite except 391 miles of the Campbellton.
		New Glasgow	422	.....	422	.....	5	.....	New Glasgow	.....	.....	8
		Island	285	.....	.....	.....	3	.....	Moncton	.....	.....	8
		Moncton	390	.....	390	.....	5	.....	Campbellton	.....	.....	8
		Campbellton	702	.....	702	.....	8	.....	Brownville	.....	.....	5
Can. Pacific	Atlantic	Edmundston	722	428	294	2,575	5	
		Brownville	413	82	331	.....	5	.....	.....	.....	.....	.....
Can. Atlantic		Woodstock	460	72	388	719	5	
		.....	287	.....	.....	287	5	Average Dvn.	.....	638	3,190	.....
Can. National	Quebec	Levis	642	101	541	9	Quebec	Montreal	5	Comprises 146 of present Levis Div. 391 of the Campbellton, all of the Montreal, Laurentian and Saguenay Divs. and 372 of the Cochrane.
		Saguenay	498	.....	498	.....	8	.....	Saguenay	.....	.....	8
		Cochrane	758	.....	758	.....	5	.....	Laurentian	.....	.....	8
Can. Pacific	Quebec	Montreal	438	93	345	2,142	8	
		.....	.....	.....	.....	.....	.....	Average Dvn.	.....	744	2,233	.....
		Montreal	44	.....	44	.....	8	.....	.....	.....	.....	.....
Que. Central		Laurentian	529	48	481	8	Montreal	Terminals	13	Comprises both Trnls. 417 mls. of present St. Lawrence Dvn. all of Farnham, Quebec, Cent. Vt. and Portland Dvns. also remaining 395 mls. of Levis Dvn.
		Farnham	487	120	367	1,472	8	.....	St. Lawrence	.....	70	.....
		Smiths Falls	654	74	580	.....	5	.....	Farnham	.....	.....	10
Can. Vermont		361	27	334	334	5	Cent. Vermont	9	
		.....	443	.....	443	443	13	.....	.....	.....	.....	.....
Can. National	Montreal	Terminals	26	26	8	Average for 3 Divns	704	2,182	
		St. Lawrence	554	13	541	.....	5	.....	.....	.....	.....	.....
		Ottawa	595	191	404	1,127	5	.....	.....	.....	.....	.....
Total excepting Trnls. & Portland Dvn.		Portland	156	156	1,127	5	Average for region	695	
		.....	10,095	.....	.....	.....	.....	Total for region	.....	7,605	.....	.....
Average Dvn.		505	136	Total despatchers	106	

59325—5

Can. National.....	Nor. Ont.....	Allandale. Capitol..... Hornepayne.....	602 443 589	165 428 301	427 15 228	..... ..... 680	8 5 5	Nor. Ont..... Sudbury..... Schreiber..... Cochrane.....	..... ..... ..... .....	..... ..... ..... .....	..... ..... ..... .....	8 5 5	Includes all of the Sud- bury, Schreiber, Cap- itol and Hornepayne Divns., 110 miles of Allandale Dvn. north of Gravenhurst and Cochrane Dvn. west of Taschereau.
Can. Pacific.....	Algoma.....	Sudbury..... Schreiber.....	737 511	63	737 448	1,155	8 5	S.E. Ont.....	Smiths Falls..... Ottawa..... Belleville..... Trenton.....	..... ..... ..... .....	..... ..... ..... .....	8 10 5	Includes all of the Ot- tawa, Belleville, & Smiths Falls Divns., Trenton Divns. and 124 miles of St. Law- rence Dvn.
Can. National.....	So. Ont.....	Belleville..... Toronto Tmls..... Stratford..... London..... St. Thomas.....	1,088 3 752 44 431 245	129 44 21	959 13 708 41 245	..... ..... 2,356	11 8 9 5	S. W. Ont.....	Terminals..... Bruce..... London..... Stratford..... Allandale.....	..... ..... ..... ..... .....	..... ..... ..... ..... .....	8 8 8 8	Includes all of the Tmls. both London Divns., Stratford, St. Thomas & Bruce Divns., also re- mainder of Allandale Dvn. and L.E. & N. & G.R. Rys.
Can. Pacific.....	Ontario.....	Trenton..... Bruce..... London.....	628 400 438	164 81 201	464 379 237	..... ..... 1,080	8 4 8	G.T. West.....	Detroit..... Chicago Tml..... Chicago Tml..... Detroit Tml..... Pontiac Tml.....	..... ..... ..... ..... .....	..... ..... ..... ..... .....	..... ..... ..... ..... .....	..... ..... ..... ..... .....
G.T. Western.....	.....	Detroit..... Chicago.....	347 688	.....	347 688	1,035	18	Total Mileage Region "B"	.....	.....	.....	.....	.....
L.E. & N. & G. R.R.....	.....	.....	73	38	35	35	5	Total Despatchers	.....	.....	.....	.....	95
Tor. Tmls. Ry.....	.....	.....	3	.....	3	3	.....	.....	.....	.....	.....	.....	.....
Total, exception Tmls. & L.E. & N. T.....	.....	.....	980	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Average Divn.....	.....	.....	570	.....	.....	.....	.....	.....	.....	.....	.....	.....	.....
Total Despatchers.....	.....	.....	.....	.....	.....	.....	107	.....	.....	.....	.....	.....	.....

Exhibit "F"
(c)

PRESENT AND PROPOSED SUPERVISORY UNITS

Present										Proposed region "A"				
Railway	District	Division	Mileage					Despat- chers	District	Division	Mileage	District mileage	Despat- chers	Remarks
			Present	To be aban- doned	Re- mainder	Total district								
Can. National.....	Manitoba.....	Lakehead..... Port Arthur..... D. W. & Pacific..... Winnipeg Term..... Portage..... Brandon..... Dauphin.....	19 996 176 43 1,142 649 893	545 111 159	19 451 176 43 1,081 490 893	13 5 8 5 3,103		Manitoba.....	Ft. William..... Kenora..... Winnipeg Term..... Win. Port. la Pr..... Win. South East..... Brandon.....	28 92 92 92 92 92			8 11 7 8	General Superintendent Winnipeg. will handle one division.
								Average for 5 Dvns.....			837	4,305		
Can. Pacific.....	Manitoba.....	Ft. Wm. Term..... Kenora..... Winnipeg Term..... Portage la Pr..... Brandon.....	9 471 49 1,080 922	207 229	9 471 49 873 693	8 8 8 8 2,065		Saskatchewan North.....	Dauphin..... Pr. Albert..... Saskatoon..... Saskatoon.....	893 1,053 795 1,198			5 5 5 8	
								Average Dvn.....			985	3,939		
Can. National.....	Saskatche- wan.	Pr. Albert..... Melville..... Regina..... Saskatoon.....	1,063 791 1,009 795	13 126	1,050 791 883 795	5 16 5 5 3,519		Saskatchewan South.....	Regina..... Regina..... Melville..... Moose Jaw.....	883 816 791 929			8 5 8 8	
								Average Dvn.....			855	3,429		
Can. Pacific.....	Saskatche- wan.	Regina..... Moose Jaw..... Saskatoon.....	852 929 1,318	36 120	816 929 1,198	8 8 8 2,943		Alberta South	Calgary..... Lethbridge..... Medicine Hat.....	1,173 951 1,078			8 8 8	
								Average Dvn.....			1,067	3,202		
Total, excepting Terms. & D.W. & P. Ry.....			12,910					Total for Re- gion "C"				14,875		
	Average Di- vision.....		922					Average for Region				929		
Total Despat- chers.....							114	Total Despat- chers.....						110

General Superintendent
Winnipeg will handle
one division.

EXHIBIT "F,"
(d)

Can. National.....	Alberta.....	Calgary..... Edmonton..... Edson.....	899 1,043 457	124 23	775 1,020 457	5 8 5	Alberta North. Av. Divn.....	Edmonton..... Edson..... Prince Rupert.....	13 5 5	Includes N.A. Ry. Gen. Supt. at Edmonton will handle one Divi- sion.
Can. Pacific.....	Alberta.....	Medicine Hat..... Calgary..... Edmonton..... Lethbridge.....	1,078 398 748 951	..... 33	1,078 398 715 951	8 5 5 8	British Columbia. Av. Divn.....	Penticton..... Revelstoke..... Nelson.....	..... ..... 31	Gen. Supt. Vancouver handle one Divn. also Vancouver Island.
Can. National.....	British Columbia.....	Smithers..... Kamloops..... Vancouver Island.....	677 682 120	..... 154 38	677 528 82	6 8 3	Total for Re- gion 'D'..... Average for Region.....	..... ..... .....	..... 600.....	.....
Can. Pacific.....	British Columbia.....	Revelstoke..... Nelson..... Penticton..... Vancouver.....	500 573 405 270	5 163	495 573 405 107	8 8 5 8	Total Despatchers Grand Total	..... ..... .....	..... 54 365	.....
Nor. Alta. Rlys.....	.....	.....	920	50	870	5	Reduction in Des- patchers	.....	.....	20%
Esquimalt & Nanaimo Ry.....	.....	Victoria.....	210	.....	210	5	.....	.....	.....	.....
Total, excepting Trails & Vanc. Is. & E. & N. Rlys.....	.....	.....	9,601	.....	.....	.....	.....	.....	.....	.....
Average Divn.....	.....	.....	686	.....	.....	.....	.....	.....	.....	.....
Total despatchers	.....	.....	.....	.....	.....	95	.....	.....	.....	.....
Grand Total.....	.....	.....	.....	.....	.....	452	.....	.....	.....	.....

RAILWAY OPERATING EXPENSES

SUPERINTENDENCE—TRANSPORTATION—BASED ON YEAR 1930

	Canadian Pacific Railway		Estimate for Combined Systems operated as a Unit		Remarks
	No. of Office Units	Total Expense	No. of Office Units	Total Expense	
		\$		\$	
Headquarters.....	1	275,485	1	475,597	Increased in proportion 16,658 miles Can. Pac. System to 35,946 miles of combined system, less 20%.
Regions.....	2	310,803	4	621,606	Increased in proportion to number of office units.
Districts.....	8	496,814	13	1,181,921	Increased in proportion to number of office units plus 46.4% account increase in district mileage from average of 1,888 to average of 2,765.
Divisions.....	27	1,271,468	52	3,026,659	Increased in proportion to number of office units plus 23.6% account increase in division mileage from average of 359 to average of 691.
Subsidiaries.....	3	99,911	.....	.....
Total.....	.....	\$ 2,454,481	.....	\$ 5,305,783	

RAILWAY OPERATING EXPENSES

DESPATCHING TRAINS—BASED ON YEAR 1930

	Total Combined Systems Operated Separately	Reduction	Estimated Total Combined Systems Operated as a Unit
Expense.....	\$2,757,912	20%	\$2,206,330
(See details of Exhibit "F")			

[illegible]

EXHIBIT "H"
Page 9
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RAILWAY OPERATING EXPENSES

TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Savings
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
<i>Unification:</i>	\$	\$	\$	\$	\$	\$	\$	\$	\$
St. John (Freight Shed and Office).....	68,295	6,830	75,125	78,000	7,800	85,800	160,925	144,650	16,275
Fredericton.....	18,994	1,899	20,893	19,000	1,900	20,900	41,793	28,739	13,054
Edmundston.....	5,772	577	6,349	24,000	2,400	26,400	32,749	26,400	6,349
<i>Lone Abandonment:</i>									
C.N. 1—Middleton Jct.—Granville Centre.....	10,368	789	11,157	1,620	162	1,782	1,782		1,782
C.P. 2—Bay Shore—Shore Line Jct.....	2,644	264	2,908				11,157		11,157
C.N. 3—Chipman—Norton.....							2,908		2,908
C.N. 4—Westfield Beach—Centreville.....				5,730	574	6,304	6,304		6,304
C.P. 5—Chipman—Cyr.....				21,468	2,147	23,615	23,615		23,615
C.P. 6—Cyr—Edmundston.....	5,287	529	5,816				5,816		5,816
C.N. 7—Edmundston—Diamond.....				59,057	5,906	64,963	64,963		64,963
Total.....	111,360	10,888	122,248	208,875	20,889	229,764	352,012	199,789	152,223
Unallocated.....	549,050	54,729	603,779						
Total New Brunswick District.....	660,410	65,617	726,027						

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Unification:</i>									
Lennoxville.....	14,357	1,436	15,793	9,190	919	10,109	25,902	10,109	15,793
Sherbrooke.....	22,275	2,226	24,383	12,707	1,271	13,978	38,461	25,115	13,346
Farnham.....	21,534	2,153	23,687	5,410	451	5,951	29,638	23,687	5,951
St. Johns.....	23,485	2,348	25,833	20,938	2,094	23,032	48,865	37,097	11,768
Drummondville.....	9,060	906	9,966	12,453	1,245	13,698	23,664	15,858	7,806
Waterloo.....	4,314	431	4,745	3,107	311	3,418	8,163	4,745	3,418
Actonvale.....	2,275	227	2,502	8,785	879	9,664	12,166	9,664	2,502
Dorval.....	1,656	344	2,000	3,156	344	3,500	5,500	2,000	3,500
Strathmore.....	.....	300	300	1,200	300	1,500	1,800	1,500	300
Valois.....	1,250	250	1,500	.....	250	250	1,750	1,500	250
Lakeside.....	.....	250	250	.....	250	250	500	250	250
Pointe Claire.....	.....	250	250	.....	250	250	3,700	2,000	1,700
Beaconsfield.....	1,682	308	2,000	3,450	250	3,700	3,950	3,700	250
Baie D'Urfe.....	.....	50	50	.....	50	50	2,250	2,000	250
Beauport.....	.....	250	250	.....	50	50	100	50	50
St. Annes.....	3,876	374	4,250	.....	50	50	300	250	50
Vaudreuil.....	9,450	1,050	10,500	6,625	375	7,000	11,250	4,250	7,000
Brookville.....	11,635	1,104	12,139	3,375	375	3,750	14,250	10,500	3,750
Cornwall.....	8,285	828	9,113	12,000	1,200	13,200	25,339	17,399	7,940
Pembroke.....	19,000	1,900	20,900	9,944	794	10,738	17,851	8,738	9,113
				6,000	600	6,600	27,500	21,900	5,600

EXHIBIT "H"
Page 9
(d-3)

RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Renfrew.....	15,180	1,518	16,698	4,000	400	4,400	21,098	18,698	2,400
Arnprior.....	10,264	1,026	11,290	2,400	240	2,640	13,930	11,290	2,640
Prescott.....	23,000	2,300	25,300	2,400	240	2,640	27,940	25,300	2,640
Smith's Falls.....	60,000	6,000	66,000	3,960	396	4,356	70,356	66,000	4,356
Ottawa.....	150,536	15,054	165,590	119,536	11,954	131,490	297,080	294,544	42,536
Montreal.....	1,157,287	92,900	1,250,187	1,358,579	113,400	1,471,979	2,722,166	2,184,770	537,396
Quebec.....	62,900	5,246	68,146	89,463	7,902	97,365	165,511	111,071	54,440
Joliette.....	11,617	1,162	12,779	15,863	1,586	17,449	30,228	17,449	12,779
Shawinigan Falls.....	14,737	1,474	16,211	20,028	2,003	22,031	38,242	24,376	13,866
Grand'Mere.....	6,516	652	7,168	8,264	826	9,090	16,258	9,090	7,168
Lachute.....	7,680	768	8,448	2,800	280	3,080	11,528	8,448	3,080
St. Jerome.....	9,192	919	10,111	5,700	570	6,270	16,381	10,111	6,270
L'Epiphanie.....	1,728	173	1,901	1,728	173	1,901	3,802	1,901	1,901
	1,684,163	146,177	1,830,340	1,751,061	152,318	1,903,379	3,733,719	2,943,360	790,359

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Savings
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Line Abandonment—</i>									
C.P. 8—Scotts Jet—Hartlake Jet.....	4,515	451	4,966				4,966		4,966
C.N. 9—Dombourg-St. Marc.....	4,990	499	5,489	1,620	162	1,782	1,782		1,782
C.P. 10—Cap de la Madeleine-Grandes Piles.....	10,368	1,037	11,405				11,405		11,405
11—Elkhurst-Windsor Mills.....	4,017	402	4,419				4,419		4,419
12—Farnham-Stanbridge.....	17,438	1,744	19,182				19,182		19,182
13—Farnham-St. Guillaume.....									
14—Farnham-St. Johns.....	3,842	384	4,226				4,226		4,226
C.P. 15—St. Lin Jet.-St. Lin.....	1,803	180	1,983				1,983		1,983
16—St. Therese-St. Eustache.....				1,524	152	1,676	1,676		1,676
C.N. 17—Papineau-Fresniere.....	2,842	284	3,126				3,126		3,126
C.P. 18—Soulanges-Cornwall.....				4,518	452	4,970	4,970		4,970
C.N. 19—Glen Robertson-Vankleek Hill.....				6,048	605	6,653	6,653		6,653
20—Hawkesbury-Ottawa Jet.....	4,246	425	4,671				4,671		4,671
C.P. 21—Ottawa West-Carlton Place.....				1,560	156	1,716	1,716		1,716
C.N. 22—Arnprior-Renfrew.....	3,530	353	3,883				3,883		3,883
C.P. 23—Payne-Eganville.....				78,816	7,882	86,698	86,698		86,698
C.N. 24—Federal-Capreol.....				4,740	474	5,214	5,214		5,214
C.N. 25—Lyn Jet.-Forlar.....									
Total.....	1,741,754	151,936	1,893,690	1,849,887	162,201	2,012,088	3,905,778	2,943,360	962,418
Unallocated.....	1,000,853	88,172	1,089,025						
Total Quebec District.....	2,742,637	240,108	2,982,745						

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RAILWAY OPERATING EXPENSES—Continued
TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
<i>Unification—</i>	\$	\$	\$	\$	\$	\$	\$	\$	\$
Belleville.....	11,500	960	12,460	25,700	1,080	26,780	39,240	26,780	12,460
Trenton.....	16,764	1,020	17,784	17,604	1,140	18,744	36,528	20,064	16,464
Kingston.....	21,636	900	22,536	27,456	900	28,356	50,892	33,776	17,116
Tweed.....	6,000	348	6,348	3,000	348	3,348	9,696	6,468	3,228
Peterboro.....	31,044	1,368	32,412	30,668	1,400	32,068	64,480	40,144	24,336
Cobourg.....	9,684	660	10,344	18,084	900	18,984	29,328	20,484	8,844
Owen Sound.....	29,512	3,027	32,539	23,772	2,225	25,997	58,536	35,122	23,414
Fergus.....	5,307	804	6,111	6,252	872	7,124	13,235	7,941	5,294
Orillia.....	6,076	360	6,436	14,700	360	15,060	21,496	15,060	6,436
Chatham.....	25,500	500	26,000	22,500	600	23,100	49,100	19,500	19,500
Woodstock.....	16,536	560	17,096	13,780	560	14,340	31,436	19,912	11,524
Galt.....	25,264	870	26,134	22,425	970	23,395	49,529	33,655	15,874
Goderich.....	8,508	380	8,888	13,616	380	13,996	22,884	14,811	8,073
Guelph.....	21,240	490	21,730	17,225	490	17,715	39,445	24,430	15,015
St. Marys.....	5,568	295	5,863	8,352	295	8,647	14,510	8,697	5,813
London.....	59,064	1,445	60,509	104,070	3,000	107,070	167,579	120,976	46,609
Ingersoll.....	10,896	500	11,396	13,572	500	14,072	25,468	15,376	10,092
Windsor.....	20,040	1,000	21,040	20,040	800	20,840	41,880	21,240	20,640
Detroit.....	30,420	1,000	31,420	30,420	800	31,220	62,640	38,820	23,820
Toronto.....	620,463	40,865	661,328	823,778	56,080	879,858	1,541,186	1,013,120	528,066

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Line Abandonment:</i>									
C.P. 26—Glen Tay—Whitby.....	\$ 52,464	\$ 5,246	\$ 57,710	\$ 4,872	\$ 487	\$ 5,359	\$ 57,710	\$	\$ 57,710
C.N. 27—Romac-Greenburn.....				14,388	1,439	15,827	5,359		5,359
28—Lindsay-Coldwater.....				16,668	1,667	18,335	15,827		15,827
29—Palgrave-Collingwood.....							18,335		18,335
C.P. 30—Bolton-Melville.....	960	96	1,056				1,056		1,056
C.N. 31—Harrisburg-Hespeler.....				10,564	1,058	11,642	11,642		11,642
C.N. 32—Galt-Elmira.....				13,140	1,314	14,454	14,454		14,454
C.P. 34—Linwood-Listowel.....	4,293	430	4,728				4,728		4,728
35—Saugeen-Walkerton.....	10,392	1,069	11,761				11,761		11,761
36—Wingham Jct.-Wingham.....	3,029	303	3,332				3,332		3,332
37—Embudo-St. Marys.....	3,610	361	3,971				3,971		3,971
38—Woodstock-St. Thomas.....	7,522	752	8,274				8,274		8,274
39—Woodstock-Walkerville Jct.....	26,363	2,636	28,999				28,999		28,999
C.N. 40—Glencoe-Kingscourt.....				1,728	173	1,901	1,901		1,901
Total.....	\$ 1,089,900	\$ 68,245	\$ 1,158,205	\$ 1,318,304	\$ 79,838	\$ 1,398,232	\$ 2,556,437	\$ 1,546,470	\$ 1,009,967
Unallocated.....	705,938	59,731	765,669						
Total Ontario District.....	\$ 1,795,898	\$ 127,976	\$ 1,923,874						

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
—	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Unification—</i>									
North Bay	87,348	8,735	96,083	24,000	2,400	26,400	122,483	96,083	26,400
Sudbury	87,816	8,782	96,598	23,640	2,364	26,004	122,602	96,598	26,004
<i>Line Abandonment—</i>									
C.N. 41—Beaverton-Longlac				85,110	8,511	93,621	93,621		93,621
42—Key Jet-Key Harbor				1,680	168	1,848	1,848		1,848
C.P. 43—Nipigon-Current River	12,869	1,287	14,156				14,156		14,156
Total	188,033	18,804	206,837	134,430	13,443	147,873	354,710	192,681	162,029
Unallocated	213,799	36,352	250,151						
Total Algoma District	401,832	55,156	456,988						
Total	3,131,107	249,873	3,380,980						
Unallocated	2,469,670	238,984	2,708,654						
Total Eastern Lines	5,600,777	488,857	6,089,634						
				3,511,586	276,371	3,787,957	7,168,937	4,882,300	2,286,637

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued
TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Unification:</i>									
Fort William.....	282,564	15,993	298,557	333,409	17,646	351,055	649,612	500,000	149,612
Portage la Prairie.....	23,405		23,995	32,920	725	33,645	57,640	38,420	19,220
Winnipeg.....	600,927	36,780	637,707	721,112	44,136	765,248	1,402,955	1,122,360	280,595
Brandon.....	68,081	6,725	74,806	31,440	4,665	36,105	110,911	86,806	24,105
Morris.....	1,990	215	2,205	3,116	350	3,466	5,671	2,205	3,466
Deloraine.....	5,360	285	5,645	2,256	300	2,556	8,201	5,645	2,556
Carman.....	3,638	220	3,858	3,856	350	4,206	8,004	3,858	4,206
<i>Line Abandonment:</i>									
C.N. 44—Comtee-Superior Jct.....				18,316	575	18,891	18,891		18,891
Nakina-Paddington.....				124,887	4,458	129,345	129,345		129,345
45—Beech Jct.-East, Selkirk.....				4,312	475	4,787	4,787		4,787
C.P. 46—Arborg-Teulon.....	6,528	752	7,280				7,280	3,280	4,000
47—Rugby Jct.-Morris.....	7,094	678	7,772				7,772	3,772	4,000
C.N. 48—Pacific Jct.-East Tower.....					160	160	160		160
C.P. 49—Elm Creek-Plum Coulee.....	5,904	556	6,460				6,460		6,460
50—Portage la Prairie-Gladstone.....	3,696	432	4,128				4,128		4,128
C.N. 51—West Tower-Deer.....					60	60	60		60
C.P. 52—McGregor-Varcoe.....	5,382	686	6,068				6,068	1,568	4,500

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RAILWAY OPERATING EXPENSES—Continued
TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
C.N. 53—Carberry—Carberry Jct.....					80	80			80
54—Brandon Jct.—M. & B. Jct.....					60	60			60
C.P. 55—Gautier—Minto.....	11,621	875	12,496				12,496	2,496	10,000
56—Forrest—Wheatland.....		24	24						24
C.N. 57—Sixth St.—Maryfield.....				6,825	675	7,500			
C.P. 58—Boissevain—Lauder.....	1,668	160	1,828				7,500	2,500	5,000
C.N. 59—Holmfield—Deloraine.....				3,790	450	4,240	1,828		1,828
C.P. 60—Binscarth—Ingles.....	5,295	331	5,626				4,240		4,240
61—Virden—McAuley.....	1,816	212	2,028				5,626	1,226	4,400
62—Maryfield—Peebles.....	10,974	727	11,701				2,028		1,500
Total.....	1,045,943	66,241	1,112,184	1,286,239	75,165	1,361,404	11,701	2,701	9,000
Unallocated.....	649,482	55,876	705,358						696,223
Total Manitoba district.....	1,695,425	122,117	1,817,542						

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Unification:</i>									
Prince Albert.....	1,961	220	2,181	33,582	3,560	37,142	39,323	37,142	2,181
Melfort.....	3,615	124	3,739	9,099	925	10,024	13,763	13,763	2,000
North Battleford.....	1,347	109	1,456	26,203	2,808	29,071	30,527	28,527	5,275
Rosetown.....	4,475	308	4,783	10,092	400	10,492	15,275	10,000	5,275
Humboldt.....	830	138	968	12,550	744	13,294	14,275	13,294	868
Lloydminster.....	6,218	337	6,555	7,800	475	8,275	14,830	9,000	5,830
Saskatoon.....	65,064	2,132	67,196	227,950	8,340	236,300	303,496	266,300	37,196
Weyburn.....	19,328	856	20,184	13,716	705	14,421	34,605	22,000	12,605
Swift Current.....	45,393	2,553	47,946	77,985	2,414	80,399	47,946	47,946	70,000
Regina.....	127,463	5,754	133,217	21,516	700	22,216	213,616	143,616	12,000
Moose Jaw.....	133,430	6,584	140,014				162,230	150,230	
<i>Line Abandonment:</i>									
C.N. 63—Bienfait-Estevan.....				6,340	660	7,000	7,000		7,000
C.P. 64—Southall-Neptun.....	1,699	161	1,860				1,860		1,860
C.N. 65—Falmagne-Radville Jct.....				12,734	916	13,650	13,650	3,650	10,000
66—Warell—Moose Jaw Jct.....				1,754	236	1,990	1,990		1,990
67—Young Jct.—Mileage 13.....					50	50	50		50
C.P. 68—Young-Colonsay.....	1,753	133	1,886				1,886		1,886
C.N. 69—Maver-Main Centre.....									
C.P. 70—Saskatoon-Unity.....	37,470	2,786	40,256				40,256	20,256	20,000
Total.....	\$ 450,046	\$ 22,195	\$ 472,241	\$ 461,331	\$ 22,993	\$ 484,324	\$ 956,565	\$ 765,724	\$ 190,841
Unallocated.....	795,437	68,509	863,946						
Total Saskatchewan District.....	\$ 1,245,483	\$ 90,704	\$ 1,336,187						

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—STATION SERVICE—BASED ON YEAR 1930—Concluded

	Canadian Pacific Railway			Canadian National Railways			Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Station Employees	Station Supplies and Expenses	Total	Station Employees	Station Supplies and Expenses	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$
<i>Unification—</i>									
Kelowna.....	10,394	9,431	19,825	3,850	995	4,845	24,670	19,825	4,845
Kamloops.....	18,863	1,624	20,487	15,000	1,807	16,807	37,294	21,294	16,000
New Westminster.....	16,185	993	17,178	5,000	368	5,368	22,546	19,546	3,000
Vancouver.....	608,546	42,780	651,326	79,236	21,500	100,736	752,062	700,000	52,062
Victoria.....	19,213	555	19,768	14,500	500	15,000	34,768	24,768	10,000
<i>Line Abandonment—</i>									
C.P. 77—Vernon-Okanagan Landing.....	22,741	2,204	24,945				24,945	19,945	5,000
C.N. 78—Armstrong Jct.—Campbell Creek Jct.....				3,528	125	3,653	3,653		3,653
C.P. 79—Kamloops-Petain.....	42,615	4,238	46,853	8,740	210	8,950	46,853	6,853	40,000
C.N. 80—Hope-Vancouver.....				1,584	110	1,694	8,950	950	8,000
81—Lulu Island Line.....				1,584	110	1,694	1,694		1,694
82—Log Dump-Deerholm.....				1,584	110	1,694	1,694		1,694
83—Lake End-Cowichan Lake.....							1,694		1,694
Total.....	738,557	61,825	800,382	133,022	25,725	158,747	959,129	813,181	145,948
Unallocated.....	483,971	37,180	521,151						
Total British Columbia District.....	1,222,528	99,005	1,321,533						
Total.....	2,714,129	169,237	2,883,366						
Unallocated.....	2,841,258	231,689	3,072,947	2,255,340	141,659	2,396,999	5,280,365	4,096,052	1,184,313
Total Western Lines.....	5,555,387	400,926	5,956,313						

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—YARD SERVICE—BASED ON YEAR 1930—Continued

	Total Combined Systems Operated Separately	Reduction	Estimated Total Combined Systems Operated as a Unit	Net Saving
	\$	%	\$	\$
Yardmasters and Yard Clerks.....	4,054,667	12.2	3,559,998	494,669
Yard Conductors and Brakemen.....	8,652,320	12.2	7,596,737	1,055,583
Yard Switch and Signal Tenders.....	1,108,551	12.2	973,308	135,243
Yard Enginemen.....	6,161,191	12.2	5,409,526	751,665
Yard Motormen.....	35,310	12.2	31,002	4,308
Fuel for Yard Locomotives.....	6,216,495	12.2	5,458,083	758,412
Yard Switching Power Produced.....	9,233	12.2	8,107	1,126
Yard Switching Power Purchased.....	59,402	12.2	52,155	7,247
Water for Yard Locomotives.....	287,177	12.2	252,141	35,036
Lubricants for Yard Locomotives.....	66,470	12.2	58,361	8,109
Other Supplies for Yard Locomotives.....	44,202	12.2	44,202	6,142
Enginehouse Expenses—Yard.....	50,344	12.2	44,202	6,142
Yard Supplies and Expenses.....	2,051,939	12.2	1,801,602	250,337
Operating Joint Yards and Terminals—Dr.....	223,222	12.2	195,989	27,233
Operating Joint Yards and Terminals—Cr.....	2,684,759	.....	2,684,759	.....
Operating Joint Yards and Terminals—Cr.....	2,138,028	.....	2,138,028	.....
Total.....	29,523,052	.....	25,987,942	3,535,110
Reduction of 7½% in fuel costs account saving of 21½% due to purchase of fuel at most favourable source and 5% account use of most efficient power and improved operating practices.....	409,356	409,356
	25,578,586	3,944,466

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—YARD SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway				Canadian National Railways				Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total	
—	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
St. John.....	5,748	19,368	13,291	18,919	57,326	10,500	56,220	35,600	40,480	142,800	
Unallocated.....	34,685	112,607	83,967	81,573	312,832						\$ 47,687
Total New Brunswick District.....	40,433	131,975	97,258	100,492	370,158						
Ottawa.....	23,000	32,500	22,300	25,800	103,600	24,000	35,000	24,000	27,800	110,800	
Montreal.....	173,132	613,563	450,487	408,888	1,646,070	175,832	624,000	457,920	415,719	1,673,471	214,400
Total.....	196,132	646,063	472,787	434,688	1,749,670	199,832	659,000	481,920	443,519	1,784,271	214,400
Unallocated.....	157,460	327,262	216,502	196,324	897,548						392,623
Total Quebec District.....	353,592	973,325	689,289	631,012	2,647,218						414,063

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RAILWAY OPERATING EXPENSES—Continued
TRANSPORTATION—YARD SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway				Canadian National Railways					Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total		
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Belleville.....	13,372	23,128	15,888	16,838	69,226	13,000	23,100	15,900	16,800	68,800	68,700	17,910
Trenton.....		12,006	8,255	5,087	25,348		11,929	8,209	8,800	28,938	28,938	69,226
Peterboro.....		4,158	3,075	4,010	12,241		12,006	8,255	5,087	25,348	38,100	12,596
Owen Sound.....		6,029	3,756	2,675	12,453		4,081	3,183	4,069	11,333	23,574	7,072
Chatham.....		12,025	7,512	5,452	25,009		6,022	3,756	2,675	12,453	24,906	6,226
Woodstock.....		12,034	7,512	5,480	24,626		18,066	11,268	7,500	36,834	25,009	12,504
Guelph.....		6,022	3,755	4,705	14,573		6,022	3,756	4,795	14,573	24,626	36,834
Goderich.....	15,000	39,600	27,200	21,500	113,300	25,000	67,300	46,100	53,500	191,900	305,200	7,279
London.....	20,000	46,600	31,800	27,000	135,400	37,000	46,600	31,800	37,000	135,400	270,800	91,860
Windsor.....	129,186	438,511	305,888	254,512	1,128,097	172,000	584,593	407,723	339,355	1,503,671	2,631,768	65,100
Toronto.....											1,710,649	921,119
Total.....	\$ 177,558	600,124	415,642	366,949	1,560,273	230,000	785,741	543,706	482,307	2,041,754	3,602,027	1,211,906
Unallocated.....	19,621	94,666	69,207	66,201	249,695							
Total Ontario District.....	\$ 197,179	694,790	484,849	433,150	1,809,968							

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—YARD SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway				Canadian National Railways				Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Yard- masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine- men	Fuel	Total	Yard- masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine- men	Fuel	Total	
North Bay.....	\$ 15,000	47,338	27,286	38,248	127,892						
Sudbury.....	15,000	44,251	25,162	35,243	119,656	4,000	13,375	7,688	11,968	37,031	18,515
Total.....	\$ 30,000	91,639	52,448	73,461	247,548	6,000	21,866	11,010	17,939	56,815	28,407
Unallocated.....	8,809	48,940	37,435	4,488	99,672	10,000	35,241	18,698	29,907	83,846	46,922
Total Algoma District	\$ 38,809	140,576	89,883	77,949	347,220						
Total.....	\$ 409,438	1,357,194	954,168	894,017	3,614,817	450,332	1,536,202	1,079,924	996,213	4,062,671	1,720,578
Unallocated.....	220,575	583,475	407,111	348,586	1,559,747						
Total Eastern Lines..	\$ 630,013	1,940,669	1,361,279	1,242,603	5,174,564						

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RAILWAY OPERATING EXPENSES—Continued

TRANSPORTATION—YARD SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway					Canadian National Railways					Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated Separately as a Unit	Net Saving
	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total			
—	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Ft. William.....	37,040	103,463	69,470	61,012	271,886	41,188	115,050	73,527	65,527	205,292	567,178	278,119	189,059
Winnipeg.....	70,349	359,266	252,455	163,939	851,009	96,612	454,043	277,700	187,756	1,015,681	1,898,590	1,245,736	692,864
Portage.....	1,788	3,916	4,143	2,772	14,021	1,846	6,108	7,144	2,772	14,870	23,491	49,060	6,831
Braudon.....	13,957	40,469	29,063	29,440	112,929	8,198	23,700	17,026	17,292	60,275	179,204	119,469	59,735
Total.....	129,134	509,114	355,133	257,064	1,251,345	147,841	599,561	372,399	273,317	1,393,118	2,644,463	1,762,974	881,489
Unallocated.....	43,235	73,198	49,937	55,040	221,430								
Total Manitoba Dist.....	172,369	582,312	405,090	313,004	1,472,775								
Weyburn.....	1,535	5,830	4,776	3,454	15,595	1,000	3,001	1,015	1,778	7,694	23,989	16,595	6,764
Regina.....	11,186	44,001	32,008	26,071	113,266	9,155	36,016	22,088	21,348	88,607	201,873	124,531	67,292
Moose Jaw.....	43,263	106,728	77,420	66,086	297,497	2,723	6,022	4,356	3,668	10,769	314,206	309,470	4,736
Swift Current.....	10,214	21,967	14,537	12,214	58,932						58,932	58,932	
Saskatoon.....	6,914	38,261	24,004	23,926	95,705	29,685	164,276	96,450	102,000	392,441	486,146	345,446	140,700
Total.....	78,112	216,787	153,245	130,751	578,995	42,563	209,315	124,809	128,764	505,451	1,084,446	864,954	219,492
Unallocated.....	19,487	46,410	31,679	30,071	127,647								
Total Saskatchewan Dist.....	97,599	263,197	185,024	160,822	706,642								

RAILWAY CONDITIONS

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RAILWAY OPERATING EXPENSES—Continued TRANSPORTATION—YARD SERVICE—BASED ON YEAR 1930—Continued

	Canadian Pacific Railway				Canadian National Railways				Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total	
—	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Kneehill-Drumheller.....	37,789	20,194	17,668	12,881	50,743	7,800	22,919	14,265	23,360	68,344	89,314
Calgary.....	6,913	249,585	118,037	122,847	528,258	5,668	25,437	17,705	18,427	67,237	59,658
Edmonton.....	44,702	35,428	21,460	23,360	87,161	30,244	155,016	111,267	128,912	426,439	44,837
Total.....	46,406	305,207	157,165	159,088	666,162	43,712	203,372	143,237	170,699	561,020	57,600
Unallocated.....	91,108	110,939	78,607	72,310	308,312						
Total Alberta District.....	6,602	416,196	235,772	231,398	974,474						
Kamloops.....	5,789	14,594	9,792	11,612	42,600	12,057	26,652	20,468	24,520	83,697	86,000
Coquitlam.....	30,941	11,290	8,121	34,796	34,796	10,250	19,989	15,351	18,390	63,980	70,000
Vancouver.....		93,687	66,807	79,802	271,237	7,542	22,833	14,842	17,809	63,026	28,776
Victoria.....		7,100	4,930	2,843	14,873		4,800	2,400		334,263	42,000
Total.....	43,332	126,671	89,650	103,853	363,506	29,849	74,274	53,061	60,719	217,903	7,200
Unallocated.....	29,838	123,718	93,738	106,947	354,341						
Total British Columbia District.....	73,270	250,389	183,388	210,800	717,847						118,273
Total.....	295,280	1,157,779	755,293	651,656	2,860,008	263,965	1,086,522	693,506	633,499	2,677,492	4,186,036
Unallocated.....	139,066	354,315	253,951	264,368	1,011,730						
Total Western Lines.....	434,346	1,512,094	1,009,274	916,024	3,871,738						1,351,464

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RAILWAY OPERATING EXPENSES—Continued
TRANSPORTATION—YARD SERVICE—BASED ON YEAR 1930—Concluded
SUMMARY

	Canadian Pacific Railway					Canadian National Railways					Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total	Yard-masters and Yard Clerks	Yard Conductors and Brakemen	Yard Engine-men	Fuel	Total			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Total.....	704,718	2,514,973	1,709,461	1,545,673	6,474,825	714,297	2,622,724	1,773,430	1,629,712	6,740,163	13,24,983	10,142,946	3,072,042
Unallocated.....	359,641	937,790	661,092	612,954	2,571,477	2,227,334	2,504,136	1,948,055	2,358,441	9,037,966	11,609,443	11,609,443	
Total, All Lines.....	1,064,359	3,452,763	2,370,553	2,158,627	9,046,302	2,941,631	5,126,860	3,721,485	3,988,153	15,778,129	24,824,431	21,752,389	3,072,042
Subsidiaries.....	48,227	60,381	60,950	59,480	229,038						229,038	229,038	
Total System.....	\$ 1,112,586	3,513,144	2,431,503	2,218,107	9,275,340	2,941,631	5,126,860	3,721,485	3,988,153	15,778,129	25,053,469	21,981,427	3,072,042
N.A.R. and T.T.R.....											31,204	31,204	
Total.....											\$25,084,673	22,012,631	3,072,042
											Average reduction.....		12.2%

RAILWAY OPERATING EXPENSES

TRANSPORTATION—TRAIN SERVICE EXPENSE—BASED ON YEAR 1930

	Total Combined Systems Operated Separately		Estimate for Combined Systems Operated as a Unit		
	Amount	Cost per Train or Loco. Mile	Train or Loco. Miles	Cost per Mile	Amount
	\$	c.		c.	\$
Train Enginemen—Passenger.....	6,767,330	13.687	41,434,566	13.687	5,671,149
Train Enginemen—Freight.....	12,403,576	19.145	58,828,608	19.145	11,262,737
Fuel for Train Locomotives—Passenger	10,002,252		See Page 9	(h)	7,825,412
Fuel for Train Locomotives—Freight..	20,399,731		See Page 9	(h)	17,847,011
Water for Train Locomotives—Pas- senger.....	599,699		See Page 9	(i)	507,225
Water for Train Locomotives—Freight	1,217,570		See Page 9	(i)	1,151,577
Lubricants for Train Locomotives— Passenger.....	167,491	.339	41,434,566	.339	140,463
Lubricants for Train Locomotives— Freight.....	341,599	.527	58,828,608	.527	310,027
Other Supplies for Train Locomotives —Passenger.....	100,528	.203	41,434,566	.203	84,112
Other Supplies for Train Locomotives —Freight.....	205,028	.316	58,828,608	.316	185,898
Enginehouse Expenses—Train—Passen- ger.....	3,032,760		See Page 9	(j)	2,370,057
Enginehouse Expenses—Train—Freight	3,875,576		See Page 9	(j)	3,340,288
Trainmen—Passenger.....	6,775,522	14.014	40,512,369	14.014	5,677,403
Trainmen—Freight.....	14,008,289	24.242	52,483,521	24.242	12,723,055
Train Supplies & Expenses—Passenger.	5,861,455		See Page 9	(k)	4,131,176
Train Supplies & Expenses—Freight...	3,794,979		See Page 9	(k)	3,145,930
Other—Passenger.....	216,827	13.722	1,320,095	13.722	181,143
Other—Freight.....					
Total.....	89,770,212				76,554,663

RAILWAY OPERATING EXPENSES

FUEL FOR TRAIN LOCOMOTIVES—BASED ON YEAR 1930

	Canadian Pacific System	Proportion of Total	Total Combined Systems Operated Separately	Reduction	Estimated Total Combined Systems Operated as a Unit
	\$	p. c.	\$	p. c.	\$
Total Expense.....	13,034,305		30,401,983		25,672,422
<i>Passenger</i>	4,288,286	32.9	10,002,252		
40% variable with locomotive mileage.....	1,715,314		4,000,900	16.2	3,352,765
60% variable with car mileage....	2,572,972		6,001,352	14.9	5,107,155
Less 7½% account purchase of fuel in larger quantities from most favourable sources (2½%) and use of most efficient power and im- proved operating practices (5%)					634,490
<i>Freight</i>	8,746,019	67.1	20,399,731		7,825,411
40% variable with locomotive mileage.....	3,498,408		8,159,893	9.2	7,409,180
60% variable with gross ton mile- age.....	5,247,611		12,239,838	2.9	11,884,880
Less 7½% account purchase of fuel in larger quantities from most favourable sources (2½%) and use of most efficient power and im- proved operating practices (5%)					19,294,060
					1,447,050
					17,847,010

RAILWAY OPERATING EXPENSES

WATER FOR TRAIN LOCOMOTIVES—BASED ON YEAR 1930

	Canadian Pacific System	Proportion of Total	Total Combined Systems Operated Separately	Reduction	Estimated Total Combined Systems Operated as a Unit
Total Expense.....	\$ 743,708		\$ 1,817,269		\$ 1,658,802
<i>Passenger</i>	\$ 245,424	33.0%	\$ 599,699		
40% variable with locomotive mileage.....	\$ 98,170		\$ 239,880	16.2%	\$ 201,019
60% variable with car mileage....	147,254		359,819	14.9%	306,206
					\$ 507,225
<i>Freight</i>	\$ 498,284	67.0%	\$ 1,217,570		
40% variable with locomotive mileage.....	\$ 199,314		\$ 487,028	9.2%	\$ 442,222
60% variable with Gross ton.....	298,970		730,542	2.9%	709,350
					\$ 1,151,572

RAILWAY OPERATING EXPENSES
ENGINEHOUSE EXPENSES—TRAIN—BASED ON YEAR 1930

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	Canadian Pacific System	Estimated Total Combined Systems Operated as a Unit
	\$	\$
Total Expense.....	2,917,750	5,710,345
<i>Passenger</i> (43.8%).....	\$ 1,277,974	
Locomotive Miles.....	22,445,975	41,434,566
Cost per Mile.....	5.695c.	5.695c.
		\$ 2,370,057
<i>Freight</i> (56.2%).....	\$ 1,639,776	
Locomotive Miles.....	28,778,759	58,828,608
Cost per Mile.....	5.695c.	5.695c.
		\$ 3,340,283

RAILWAY OPERATING EXPENSES
TRAIN SUPPLIES AND EXPENSES—BASED ON YEAR 1930

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	Canadian Pacific System	Estimated Total Combined Systems Operated as a Unit
Total Expense.....	\$ 3,605,503	\$ 7,277,106
<i>Passenger</i>	\$ 2,188,540	
10% variable with train miles.....	\$ 218,854	40,512,369 Miles at 1.028c... \$ 416,467
Train Miles.....	21,287,132	
Cost per Mile.....	1.028c.	
90% variable with car miles.....	\$ 1,969,686	296,465,192 Miles at 1.253c... 3,714,709
Car Miles.....	157,202,581	
Cost per Mile.....	1.253c.	\$ 4,131,176
<i>Freight</i>	\$ 1,416,963	
50% variable with train miles.....	\$ 708,481	52,483,521 Miles at 2.793c... \$ 1,465,865
Train Miles.....	25,366,468	
Cost per mile.....	2.793c.	
50% variable with car miles.....	\$ 708,482	1,953,563,435 Miles at 0.086c... 1,680,065
Car Miles.....	824,920,321	
Cost per Mile.....	0.086c.	\$ 3,145,930

RAILWAY OPERATING EXPENSES

OTHER—TRANSPORTATION EXPENSES—BASED ON YEAR 1930

	Canadian Pacific System	Canadian National System	Northern Alberta & Toronto Terminals Railways	Total Combined Railways Operated Separately	Reduction	Estimated Total Combined Railways Operated as a Unit
Weighing, Inspection and Demurrage Bureaus.....	\$ 35,400	\$ 84,465	\$ 273	\$ 120,138	12.24%	\$ 105,433
Coal & Ore Wharves.....		42		42		42
Operating Sleeping Cars.....	2,001,015	1,291,801	10,774	3,303,590	19.00%	2,675,908
Signal & Interlocker Operation.....	312,258	627,588	108	939,950	13.54%	812,670
Crossing Protection.....	147,410	677,170	5,351	829,931	12.24%	728,347
Drawbridge Operation.....	37,717	118,929		156,646		156,646
Operating Floating Equipment.....	6,322	1,142,703		1,149,025		1,149,025
Stationery and Printing.....	442,892	568,838	14,349	1,026,079	12.24%	900,487
Other Expenses.....	43,957	245,875	53	289,885	12.24%	254,403
Operating Joint Tracks and Facilities— Dr.....	254,902	255,318	4,504	514,724		514,724
Operating Joint Tracks and Facilities— Cr.....	175,846	542,717		718,563		718,563
Insurance.....	716	75,907	1,213	77,836	13.37%	67,429
Clearing Wrecks.....	99,283	314,852	2,626	416,761	12.38%	365,186
Damage to Property.....	33,979	105,144	266	139,389	12.38%	122,133
Damage to Live Stock on Right of Way.....	41,626	60,238	1,228	103,092	12.38%	90,329
Loss and Damage—Freight.....	619,054	970,935	5,617	1,595,606	12.24%	1,400,304
Loss and Damage—Baggage.....	4,673	6,653	265	11,591		11,591
Injuries to Persons.....	443,510	1,202,693	1,760	1,647,963	12.24%	1,446,252
Total.....	\$ 4,348,868	\$ 7,206,430	\$ 48,387	\$ 11,603,685	13.11%	\$ 10,082,323

RAILWAY OPERATING EXPENSES

TRANSPORTATION, WATER LINE—BASED ON YEAR 1930

	Canadian Pacific System	Canadian National System	Northern Alberta and Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
	\$	\$	\$	\$	\$	\$
Operation of Vessels.....	901,237			901,237	859,737	41,500
Operation of Terminals.....	69,578			69,578	69,578	
Incidental.....	58,220			58,220	58,220	
	1,029,035			1,029,035	987,535	41,500

EXHIBIT No. 63

REVISED STATEMENT OF REDUCTIONS IN PASSENGER TRAIN MILES
(Supplementing Exhibit B at page 417)

	Passenger train miles
1932 estimate of train mile reductions, based on service 1930.....	7,574,454
Mileage reductions over-estimated.....	1,490,588
	6,083,866
Duplicate passenger train miles under-estimated in 1932.....	565,970
	6,649,836
Revised estimate of possible train mile reductions based on 1930 service.....	6,649,836

NOTE.—The over-estimate was caused by provision for withdrawal of trains, chiefly in transcontinental territory, which I think should have been retained.

The under-estimate, 565,970 train miles, overlooked taking into the picture trains which I am also of the opinion could have been reduced as of 1930.

DETAILS OF REDUCTIONS IN PASSENGER TRAIN MILES—REVISED ESTIMATE

		Passenger train miles
1932 estimate of train mile reductions based on service in 1930.. . . .		7,574,454
Trans-Continental.. . . .	2,127,258	
Inter-City		
Halifax-Montreal.. . . .	115,258	
Saint John-Fredericton.. . . .	35,524	
Quebec-Montreal.. . . .	361,493	
Montreal-Windsor.. . . .	1,175,548	
Montreal-Toronto.. . . .	180,312	
Montreal-Ottawa.. . . .	130,038	
Ottawa-Toronto.. . . .	180,310	
Toronto-Windsor.. . . .	117,294	
Toronto-Hamilton.. . . .	112,640	
Winnipeg-Saskatoon.. . . .	298,232	
Regina-Saskatoon.. . . .	118,260	
Saskatoon-Edmonton.. . . .	268,640	
Calgary-Edmonton.. . . .	182,420	
		3,275,969
Local services.. . . .	2,018,787	
Suburban services.. . . .	152,440	
		<u>7,574,454</u>

1932 estimate of train mile reductions based on service in 1930.. . . .		7,574,454
Mileage reductions over-estimated in 1932—		
Trans-Continental.. . . .	817,600	
Inter-City:		
Montreal-Toronto.. . . .	248,930	
Winnipeg-Saskatoon.. . . .	298,232	
		547,162
Local services.. . . .	125,826	1,490,588
		<u>6,083,866</u>
Mileage reductions under-estimated in 1932—		
Local services.. . . .		565,970
Revised estimate of possible train mile reductions based on 1930 service.. . . .		<u>6,649,836</u>

DETAILS OF PASSENGER TRAIN MILE REDUCTIONS MADE SINCE 1932

		Passenger train miles
Trans-Continental.. . . .		572,527
Inter-City:		
Halifax-Montreal.. . . .	104,984	
Saint John-Fredericton.. . . .	35,524	
Montreal-Ottawa.. . . .	130,308	
Montreal-Toronto.. . . .	180,312	
Toronto-Windsor.. . . .	46,556	
Toronto-Hamilton.. . . .	58,560	
Saskatoon-Edmonton.. . . .	38,272	
Calgary-Edmonton.. . . .	182,420	
		776,666
Local.. . . .		845,628
		<u>2,194,821</u>
Reductions through pooling of train services under co-operation.. . . .		972,000
Total passenger train mile reductions since 1932.. . . .		<u>3,166,821</u>

ESTIMATED REDUCTIONS POSSIBLE IN DUPLICATE PASSENGER TRAIN SERVICES ON BASIS OF 1937 TRAFFIC

		Passenger train miles
Trans-Continental.. . . .		892,181
Inter-City:		
Montreal-Ottawa.. . . .	84,680	
Toronto-Windsor.. . . .	565,678	
Toronto-Hamilton.. . . .	54,080	
Regina-Saskatoon.. . . .	118,260	
Saskatoon-Edmonton.. . . .	230,368	
Locals.. . . .		1,053,066
Suburban.. . . .		1,410,726
Total.. . . .		3,508,413

TRAINS AFFECTED BY TRACK ABANDONMENTS

	Passenger train miles	
	Steam	Motor
1932 Study—		
Trans-Continental.. . . .	....	....
Inter-City—		
Saint John-Fredericton.. . . .	35,524	13,446
Local services.. . . .	1,220,612	102,689
	1,256,136	116,135
1938 Study—		
Local services.. . . .	496,178	....

This statement shows only trains affected by track abandonments. Track abandonments such as from Long Lac to Beaverton, Nakina to Paddington, Regina-Moose Jaw, between Kamloops and Vancouver, or between Woodstock and Walkerville Jct. have not been taken into account because the estimated passenger train service savings will not be altered if tracks are not abandoned on those sections.

EXHIBIT No. 64

DETAILED DEVELOPMENT OF RAILWAY OPERATING EXPENSES—GENERAL EXPENSES—BASED ON YEAR 1930

	Canadian Pacific System	Estimated Total Combined Rail- ways Operated as a Unit	Remarks
Salaries and Expenses of General Officers.. . . .	\$ 628,197	\$ 1,084,519	Increased in proportion of Canadian Pacific miles, 16,658, to 35,946, miles of combined systems, less 20%.
Less Expenses Charged to Canadian Pacific Special Income.. . . .		111,000	
Net Railway Expenses.. . . .		\$ 973,519	
Salaries and Expenses of Clerks and Attendants.. . . .	1,929,353	3,330,835	Canadian Pacific figure reduced in proportion of Canadian Pacific abandoned mileage, 1,705, to Canadian Pacific System mileage, 16,658.
General Office Supplies and Expenses.. . . .	170,319	294,038	
Law Expenses.. . . .	279,886	483,195	
Stationery and Printing.. . . .	155,071	267,714	
Insurance.. . . .	362,829	326,624	

EXHIBIT No. 65

DETAILED DEVELOPMENT OF RAILWAY OPERATING EXPENSES—DINING
AND BUFFET CAR SERVICE—BASED ON YEAR 1930

(Supplementing statement appearing at page 426)

	Canadian Pacific Railway	Total Combined Systems Operated Separately	Reduc- tion	Estimated Total Com- bined Systems Operated as a unit
Food Supplies:				
Passengers..	\$ 449,339	\$1,002,982		\$1,002,982
*Balance of Expenses.. . . .	1,686,024	3,763,317	24.4%	2,845,068
Total..	\$2,135,363			
Subsidiaries..	92,293			
Total Expense.. . . .	\$2,227,656	\$4,766,299		\$3,848,050

Dining Car Miles—1930:

Combined Systems Operated Separately—17,176,756
Reduction— 4,183,014—24.4%

* Includes, China, Glassware, Silver, Kitchenware, Linen, Laundry Work, Coal and Fuel, Stationery and Printing, Supervisory and Commissary Wages, Crews Wages and Cost of Feeding Crews, etc.

EXHIBIT No. 66

DETAILS OF ECONOMIES POSSIBLE BY UNIFICATION—MISCELLANEOUS INCOME ITEMS—
(SUPPLEMENTARY ITEM 3, EXHIBIT 49, AT PAGE 416)

	Canadian Pacific System	Canadian National System	Northern Alberta & Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a Unit	Net Saving
Hire of Equipment (Net)..	\$ 645,843	Dr. \$1,551,220	Dr. \$197,460	Dr. \$1,132,837	Dr. \$1,082,837	\$ 50,000
Miscellaneous Rents (Net) ..	556,462	734,368	238,845	1,529,675	1,529,675	.....
Rent for Leased Roads (Net)..	Dr. 3,524,908	Dr. 1,247,026	.....	Dr. 4,771,934	Dr. 4,771,934	.....
Miscellaneous Rents (Net) ..	556,462	734,368	238,845	1,529,675	1,529,675	.....
Miscellaneous Tax Accruals..	Dr. 840	Dr. 271,982	.....	Dr. 272,822	Dr. 272,822	.....
Separately Operated Proper- ties (Net)..	395,502	Dr. 793,733	.....	Dr. 398,231	Dr. 237,096	161,135
Total..	Dr. \$2,196,691	Dr. \$3,645,295	\$940,669	Dr. \$4,901,317	Dr. \$4,690,182	\$211,135

EXHIBIT No. 67

DETAILS OF ECONOMIES POSSIBLE BY UNIFICATION—COLONIZATION,
DEVELOPMENT & INSURANCE—(Supplementing item 7, Exhibit 49, at page 416)

	Canadian Pacific System	Canadian National System	Northern Alberta & Toronto Terminals Railways	Total Combined Railways Operated Separately	Estimated Total Combined Railways Operated as a unit	Net Saving
Colonization & Immigration Development & Natural Resources (Estimated) ..	\$830,677	\$435,110	.....	\$1,276,150	\$1,123,150	\$153,000
	44,000	110,000	.....	154,000	107,000	47,000
	\$874,677	\$545,110	\$10,363	\$1,430,150	\$1,230,150	\$200,000
Insurance (Estimated) .. .	50,600	124,400	.....	175,000	75,000	100,000
Total..						\$300,000

EXHIBIT No. 68

DETAILS OF ECONOMIES POSSIBLE BY UNIFICATION—INTEREST ON
RELEASED STORES AND TRACK MATERIAL

(Supplementing item 8, Exhibit 49, at page 416)

Detail

(b) Material released from abandoned lines	\$18,000,000
(c) Material released from stores stocks.. . . .	16,000,000
	<u>\$34,000,000</u>
Interest at 5 per cent	<u>\$1,700,000</u>

SALVAGE VALUE OF RELEASED TRACK AND STATION MATERIAL
FROM ABANDONED LINES

Main Lines (100-lb. Rail—Rock and Gravel Ballast—Block Signals)—

Estimated salvage value per mile of track:

Rail.. . . .	160 tons at \$30.00—	\$4,800
Angle Bars.. . . .	10 tons at 50.00—	500
Bolts.. . . .	1 ton at 50.00—	50
Anchors.. . . .	1,600 at .20—	320
Tie Plates.. . . .	5,600 at .30—	1,680
Spikes.. . . .	4 tons at 25.00—	100
Washers.. . . .	1,000 at .03—	30
		<u>\$7,480</u>
Estimated cost of labour removing same.. . . .		<u>1,000</u>

Net salvage per mile.. . . .	6,480
Track ties, 2,880 per mile—estimate 50 per cent at 50 cents each.. . . .	720
Estimate salvage value of materials from stations and other buildings—water tanks, etc.	250
Sidings, switches, stands, diamonds, etc.	250
Block signals, wigwags, interlockers, etc.	800
Crossing planks, Track Signs, Fencing, Telegraph Wires, etc.	100
	<u>\$8,600</u>
Total per mile.. . . .	\$8,600
Grand Total—460 miles at \$8,600.. . . .	\$ 3,956,000

Main Lines (No. 85 Rail)—

Rail.. . . .	130 tons at \$20.00—	\$2,600
Angle Bars.. . . .	15 tons at 10.00—	150
Bolts.. . . .		
Spikes.. . . .		
Anchors and Washers.. . . .		50
Tieplates—3,000 at 20 cents.. . . .		600
		<u>\$3,400</u>
Less Labour Removing		900
		<u>2,500</u>
Track ties—1,000 at 50 cents.. . . .		500
Other material.. . . .		500
		<u>\$3,500</u>
Total per mile.. . . .		\$3,500
Grand Total—2,500 miles at \$3,500.. . . .		\$ 8,750,000

Branch Lines (80-lb. Rail or Less)—

Rail—125 tons at \$10.00.. . . .	\$1,250
Fastenings.. . . .	150
	<u>\$1,400</u>
Less labour removing	800
	<u>600</u>
Track ties—1,000 at 40 cents	400
Other material.. . . .	200
	<u>\$1,200</u>
Total per mile.. . . .	\$1,200
Grand Total—2,090 miles at \$1,200.. . . .	2,508,000

Other Salvage Material (Total Abandoned Lines)—

Block signals, interlockers, wigwags, etc.	16,000
Bridge girders and other steelwork	2,770,000
	<u>\$18,000,000</u>

Grand Total.. . . .

MATERIALS AND SUPPLIES—BASED ON YEAR 1930

	Canadian Pacific System	Canadian National System	Northern Alberta & Toronto Terminals Railways	Total combined railways operated separately	Estimated total com- bined railways operated as a unit	Net saving
General stores.. ..	\$ 5,810,457	.....	.....	.....	\$12,000,000	.....
Fuel Department ..	7,061,682	.....	.....	.....	13,727,911	.....
Tie Department ..	3,291,231	.....	.....	.....	7,109,058	.....
Operating Dept. ..	6,913,357	.....	.....	.....	14,932,852	.....
Hotels.. ..	522,228	.....	.....	.....	694,564	.....
Lumber Mills.. ..	750,510	.....	.....	.....	750,510	.....
Other Departments	1,095,807	.....	.....	.....	2,366,943	.....
	<u>\$25,445,272</u>	<u>\$42,088,695</u>		<u>\$67,533,967</u>	<u>\$51,581,838</u>	<u>\$15,952,129</u>

EXHIBIT No. 69

DETAILS OF ECONOMIES POSSIBLE BY UNIFICATION—INTEREST ON
REDUCTION ON INVESTMENT IN EQUIPMENT

(Supplementing Item 9, Exhibit 49, at page 416)

Class of Equipment.	Canadian Pacific System	Canadian National System	Total	Reduction	Released units	Estimate of average unit values	Total
Locomotives.. ..	2,126	3,095	5,221	12.2%	637	\$59,196	\$37,707,852
Freight equipment..	91,407	128,191	219,598	3.3%	7,247	1,174	8,507,978
Passenger equipment ..	3,170	3,792	6,962	14.9%	1,037	40,710	42,216,270
Work equipment	6,321	8,272	14,593	12.2%	1,786	2,500	4,465,000
Total.. ..							<u>\$92,897,100</u>

Reduction in locomotive miles—12.2 per cent. See Exhibit "H," Page 5 (c).

Reduction in freight train car miles—3.3 per cent. See Exhibit "C."

Reduction in passenger train car miles—14.9 per cent. See Exhibit "B."

Reduction in road mileage through line abandonment—12.2 per cent.

Interest at 5 per cent on \$93,000,000—\$4,650,000.

EXHIBIT No. 70

ESTIMATED SAVINGS FOREGONE IF MILEAGE NOT ABANDONED

Cost of maintaining and operating with a
reduced train schedule lines suggested as
suitable for abandonment2,915 miles included
in C.P. study,
but not in C.N.
study5,013 miles included
in C.P. study

- (a) Cost of tri-weekly train service, including maintenance of equipment, train operation, (wages, fuel, etc.), station service and other transportation expenses, supervision, general and other overhead expenses—3 round trips weekly for 52 weeks taken at \$1.75 per train mile.. ..
- (b) Cost of maintaining track, structures and buildings taken at \$900 per mile of line..

\$2,737,098

\$1,591,590

4,511,7002,623,500

Total cost.. ..

\$7,248,798\$4,215,090

NOTE.—See as to the effect of revenue from these sources the evidence of Sir Edward Beatty at page 583 of the proceedings.

1938

THE SENATE OF CANADA



PROCEEDINGS

OF THE

SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 18

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Mr. D. L. Howard, Asst. to General Manager of Communications, C.P.Ry. Co.
Captain R. W. McMurray, Manager, British Columbia Coast Steamship Service,
C.P.Ry. Co.
Mr. E. P. Flintoft, K.C., General Counsel, C.P.Ry. Co.
Mr. W. M. Neal, Vice President Western Lines, C.P.Ry. Co.

EXHIBITS:

No. 71. Report of Joint Committee appointed to investigate possibilities of economies arising out of either amalgamation or co-ordination of the C.P. and C.N. Telegraphs.
No. 72. Minutes of Joint meeting of Express Committee of C.P. and C.N.Rys., March 1, 1935. (Not printed.)
No. 73. Address by Sir William Wood, Vice President of the London, Midland & Scottish Ry., re the operation of the United Kingdom Railways Grouping System.
No. 74. Address by Mr. W. L. Waters, re Rationalization of British Railways, before American Society of Mechanical Engineers, Railroad Division.
No. 75. Statement of Sir Edward Beatty, G.B.E., on savings from co-operation, to the Royal Commission on Transportation.
No. 76. Summary of Mr. S. W. Fairweather's discussion of Senate Exhibit No. 49 before Royal Commission on Transportation.
No. 77. Sir Henry Thornton's discussion before Royal Commission on Transportation of an estimate of \$60,000,000 savings by amalgamation.
No. 78. Comparison of C.N. and C.P. estimates of economies possible under unification.
No. 79. Memo. in connection with adjustments suggested by C.N. which forms part of a report of the Joint Committee re telegraphs filed as Exhibit No. 71.

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1938

ORDER of Appointment

(Extracts from the Minutes of Proceedings of the Senate for March 30, 1938)

Resolved,—That a Committee of the Senate be appointed to enquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, with power to send for persons, papers and records, and that the said Committee consist of twenty Senators.

Ordered that the said Special Committee be composed of the Honourable Senators Beaubien, Black, Buchanan, Calder, Cantley, Côté, Dandurand, Graham, Haig, Hugessen, Horsey, Jones, Hardy, McRae, Meighen, Murdock, Parent, Robinson, Sharpe, and Sinclair.

MINUTES OF EVIDENCE

THE SENATE,

THURSDAY, June 2, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 10.30 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Col. O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon. Mr. Graham): Order, gentlemen.

Mr. BIGGAR: We are to have Mr. Neal, but there are two short witnesses whom I think we had better take first.

D. L. HOWARD appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Howard, what is your position in the Canadian Pacific organization?
A.—I am Assistant to the General Manager of Communications.

Q. And you are going to deal with the summary of savings in Exhibit 49 that are related to telegraphs, are you not?—A. Yes. It is Exhibit I, on page 426 of the record.

Q. Will you tell us how you arrive at that figure which is in Exhibit I to Exhibit 49?—A. Exhibit I was prepared by me in collaboration with other officers of our Communications Department, and the result was reached after a careful study of the outside plant, the functional or main offices and branch offices of the two systems, as well as the supervisory and general expenses of both. As will be seen, the estimated net saving in commercial service was 798,133.

By the Chairman (Hon. Mr. Beaubien):

Q. Where do you find that?—A. That is in the middle of Exhibit I, page 26. This figure compares with the estimated saving of \$625,000 in commercial service shown in Exhibit 20 of the Canadian National Railways, at pages 514 and 515 of the record.

By Mr. Biggar:

Q. You mean part of Exhibit 42 in these proceedings, but it is subnumber 9?—A. The table is on page 515.

Q. Yes?—A. In addition to this our estimate, that is in Exhibit I, included possible saving of \$149,635 in the railway telegraph service, for which there is no comparable saving in the Canadian National estimate. It does appear, however, that in the Canadian National estimate, the estimated saving in maintenance of outside plant, shown as \$80,000, on page 515, under "Operation and maintenance," would leave the sum of \$60,000 as possible reduction applicable to railway telegraph service. That is shown half way down on page 514, immediately under the pole mileage and wire mileage. The item there shows that a deduction of approximately \$140,000 per annum would be effected, but the commercial telegraph is shown at \$80,000. So I presume the \$60,000 could be attri-

buted to railway telegraphs. This \$60,000 compares with our maintenance figure under "Railway Service" in Exhibit I, shown as \$71,332.

Q. At page 426?—A. Yes. I can find no record in the Canadian National exhibit covering railway operations. The figure reached in Exhibit I—

Q. Before you go on to that next point, what is railway operation in connection with telegraphs?—A. That is the operation in connection with the handling of railway telegraph message traffic.

Q. You mean the handling of the trains?—A. No; that is railway train service. The handling of the message traffic, that is the message traffic between departments, between officials in one city and another, which is known as the communication service of the railway and is separate and distinct from railway train service. There is no despatching or railway train orders, or anything of that type, included in this.

Q. Yes?—A. The figure of \$947,768, shown in Exhibit I, page 426, was reached, as I stated, after a very careful study among officials of this department, that is of the Canadian Pacific Railway, and based on the information available in the blue book, and full knowledge of our own plant and a very great knowledge of the Canadian National. Incidentally, prior to this figure being reached, at a joint meeting with Canadian National telegraph officials a rather tentative set-up was discussed, and it was felt at that meeting that a figure much higher than \$947,000 could very easily be reached. However, after that joint meeting was held, the officials of the Canadian Pacific were requested to make up an estimate based conservatively on 1930 study, on 1930 figures, and we set up that table of \$947,000, as shown. And this was, as I say, as much lower a figure than we felt could be reached, in the original joint meeting with the Canadian National.

Q. When was this joint meeting?—A. That would be a week prior to the start of our study. It really happened in December, 1931. Our study continued over a period of 1932, January, 1932.

Q. Who were present at the meeting?—A. At the original meeting?

Q. At the joint meeting that we speak of.—A. Well, I cannot remember all those present. I know our General Manager, Mr. Neal was there, and Mr. Gallaway of the Canadian National, and other representatives of our department of the telegraphs. I was present, as one of the representatives of our company. I cannot tell who the others were.

Q. About how many all together?—A. About six, I would say; three of each I would say.

By Hon. Mr. Parent:

Q. Since 1932 you have never met?—A. Oh, yes. I was coming to the Senator.

By Mr. Biggar:

Q. Let us carry on with this meeting. What was the reason for the meeting, how did it come about?—A. It was felt that with the Duff Commission coming into being it would be well for us to take stock. It was more a get-together meeting with a view to sizing up the situation generally. I don't know you could call it a meeting which was to bring in definite results. It was more an approach to matters which we knew were coming up in the near future.

Q. Have you any memory of the figure that was then arrived at tentatively at least?—A. The tentative figure—as I say, I doubt whether it could be termed official because there was no report signed. Those at the meeting did not submit any report agreeing to that figure.

Q. I understand that.—A. We tentatively considered there was a saving of a million and a half.

[Mr. D. L. Howard.]

Q. Was there any dissent on either side from that figure at that time?—A. I would not say there was dissent; there might have been some doubt.

Q. Reservations?—A. Reservation; but I would not say dissent. I think the feeling was rather general among us that there was a definite field that we both wholeheartedly wanted to approach and explore. There was no opposition from one to the other; it was rather co-operative I would say. That is the feeling I have at least.

Q. Can you tell us how it was you reduced that figure, approximately \$1,500,000 to approximately \$1,000,000?—A. It is rather difficult to say that beyond the fact that in preparing our figures as shown in Exhibit I we were very anxious that those figures should be low. Our approach was quite definitely conservative.

Q. Critical?—A. Yes. We wanted to be safe, so that if we were put in a position of explaining, our difficulties would not be great.

Q. Senator Parent asked you about subsequent meetings.—A. Yes.

By Hon. Mr. Dandurand:

Q. Will you indicate as you move along what were the figures presented to the Minister of Railways upon which he based his decision to present a Bill to the House to bring about amalgamation of the telegraph systems?—A. No, I have no figures. We were not concerned with that. The committee I referred to was a subcommittee that dealt definitely with economies. We had nothing to do with the presentation of any figures. I presume the figures shown here and presented to the Duff Commission were the figures used.

By Mr. Biggar:

Q. You are speaking of a time subsequent to 1932?—A. Yes.

By Hon. Mr. Gordon:

Q. You are acquainted with the North Bay situation? There is a telegraph office at each station, and then in the city there is a building in which each company has a telegraph office.—A. Yes.

Q. Now, under unification I assume you would have only one telegraph office.—A. You are speaking of unification of the telegraph services?

Q. Yes.—A. We would only have one office uptown.

Q. Would you have one office uptown and then one at the station?—A. The station is the one that handles train orders and things pertaining to trains.

Q. But they all take telegrams from the public.—A. That is a convenience we have, but they are not considered in the full sense as exclusive commercial offices. In a city as important as North Bay we establish separate commercial offices; in the smaller places we allow the agents to handle both because there is not sufficient business to warrant an uptown office. But in North Bay each company operates a commercial office separate and distinct from the station office.

Q. I have often wondered that even that was necessary, because it is easy to send your telegram or phone it to either of those stations.—A. North Bay is fortunately situated. The station is in the heart of the city and it would be convenient.

Q. Both are.—A. There is a definite value, however, to convenience in telegraph practice. The aim of the telegraph officials is to bring the telegraph to the people, not the people to the telegraph, and that is the idea of establishing branch or upown offices in many of those cities. But for the operation of the volume of traffic we would have at North Bay, considering the transfer of traffic to the T. & N.O. north there, we could not operate that in conjunction with the train service because it is too great; there is too large a business to operate jointly with the railway telegraphs.

Q. Even under unification, then, the telegraph offices situated in the heart of the city, the city offices you might call them, would be just combined into one?—A. They would be made one office.

Q. There would be no capital expenditure?—A. A very little for transfer of equipment.

Q. It would not amount to anything?—A. You know the location there Senator. There is only a wall between us. The transfer of equipment from one place to another, the knocking down of that wall would be very minor. would be the logical thing to do.

Shall I proceed with Senator Parent's question?

By Mr. Biggar:

Q. Yes.—A. You asked if there were subsequent studies to 1930 as shown in Exhibit I.

By Hon. Mr. Parent:

Q. Quite so.—A. Shortly after the estimate in Exhibit I was made, a joint committee, consisting of three officers of the Canadian Pacific communications and three from the Canadian National telegraphs, was set up with instructions to make an economic study to show the results to be obtained by (1) amalgamating the two telegraph systems. (2) Co-ordinating the two telegraph systems. After a study which occupied some weeks and which covered the same field as that which had been considered in the preparation of Exhibit I the joint committee made a report in February, 1933.

Q. I take it for granted Exhibit I means 1932?—A. No. Exhibit I is 1930. It forms part of the agreed study. I may say here before I go any further so there will be no confusion, the study we made in February, 1933, in the report we submitted covered the year 1932, not 1930. The reason for the change in the study was that 1932 was a more recent year, and it was also felt that between the years 1930 and 1932, being depression years, a great many savings, at least it is claimed a great many savings, had been created during those two years, which the 1930 figures did not show. So it was mutually agreed, to bring the matter up to date, we would study 1932 and bring in a report on that basis. Which we did. The report was submitted in February 1933, as I have stated. The estimated saving shown on that report for amalgamation is \$1,011,000 per annum.

By Mr. Biggar:

Q. For commercial and railway services?—A. Commercial telegraphs and all of maintenance; but there was some railway operation that we could not bring into the picture, but it was very minor.

Q. So substantially all of that was commercial services?—A. Substantially all of that would be commercial services. Pardon me, there would be a real figure in there of railway services. Maintenance does represent a very real figure.

Q. But you would have to have maintenance for commercial services, would you not?—A. Of course, the more services you have the more your maintenance is. There is a large section of plant that is definitely assigned to railway service and has got to be maintained.

Q. Right.—A. As I stated, the figure was a saving of \$1,011,000 per annum.

By Hon. Mr. Parent:

Q. Would that be by the reduction of employees mostly?—A. That would be in it. I shall deal with that rather minutely further on.

[Mr. D. L. Howard.]

Q. All right.—A. I will certainly cover that point. The estimated saving on that report for co-ordination was \$220,000 annually.

Q. Is that the same as what we call co-operation, the \$220,000?—A. Yes. To carry out the proposal for amalgamation, it was estimated it would cost for necessary capital expenditures \$101,500 annually for a period of twenty years. To carry out the co-ordinating proposal would have cost for capital expenditures \$24,600 annually for a period of twenty years.

By Hon. Mr. McRae:

Q. Might I ask for an explanation? How does it happen that the capital expenditures continue over so long a period?—A. It was just an amortization table set-up. We need certain capital to make these alterations, to put these properties together, that is, the terminals and whatever connections were necessary. We would need \$1,000,000.

Q. And you amortized that?—A. Over twenty years and carried the interest over that twenty years.

By Mr. Biggar:

Q. That would be \$1,000,000 for co-operation?—A. No. That is required for amalgamation. The \$24,600 was the figure for co-ordination.

That report, as I stated, was a joint report, agreed to and signed by the representatives of both companies.

Before I leave that figure, and going back to that report, I want to say that in that figure of \$1,000,000 capital I spoke about, the carrying charge was worked out at a figure of \$101,500 annually for twenty years. In other words, we would spend \$101,000 annually to make a saving of \$1,000,000. That is the point I want to bring out. The same thing of course would apply under co-operation.

Q. It applies on a smaller figure?—A. Yes.

By Hon. Mr. Buchanan:

Q. What would the outlay for capital expenditure be required for?—A. Probably if I take a specific case, Senator, the whole picture will open up. In a place like Toronto we both operate very extensive and very complete telegraph offices separately at a distance of probably three or four blocks between the two offices. To unify these properties, we would need to put them together, and the cost of moving one office to another of that type is very extensive. Extended over the system that represented a large part of that capital. And the same thing applies to certain cut-overs of plant, where a line would go from one line to another, and carry it to the other line, and the transfer of wires and the putting in of cables. It is quite an extensive proposition, but it is just a case of putting the property in shape to enable us to work as a unified property together.

Mr. BIGGAR: With the approval of the Chairman, I would suggest to the committee that there is not much difference of opinion, and does not appear to be any conflict about the possibility of \$1,000,000 of savings on telegraph. Does the committee want to hear the rest of the details?

The CHAIRMAN (Hon. Mr. Beaubien): I do not think it is very useful, do you?

Hon. Mr. PARENT: No.

The CHAIRMAN (Hon. Mr. Beaubien): Unless the witness has some special things to say to the committee. I understand that both railways have agreed as to a saving of about \$1,000,000.

The WITNESS: I should be very glad to file a copy of that joint report for the information of the committee, if it is so desired.

The CHAIRMAN (Hon. Mr. Beaubien): I think that would be a good idea.

By Hon. Mr. Parent:

Q. Is it a long report?—A. About five pages of double-spaced type.

Q. Is it too long to read, so that it could be inserted in the record?

Hon. Mr. BLACK: We do not need any more evidence.

Hon. Mr. COTÉ: Are your instructions from the C.N.R. that they have not changed their mind?

Mr. BIGGAR: I haven't any.

By Hon. Mr. Parent:

Q. Could you make your statement very short so that it will be printed in the record in a more concrete form than the report?

Mr. BIGGAR: There is no real difference of opinion as to the amount. The difference was a legal one which has already been mentioned to the committee.

By Mr. Biggar:

Q. Is there anything further you need to say in view of that?—A. No. I have some further information that I think is valuable to the committee. I promised you that I would deal with the labour situation, and with your permission I will do that. Is it the wish of the committee that I file the joint report?

Mr. BIGGAR: Please, yes. That will be Exhibit No. 71.

The WITNESS: The expressions "amalgamation" and "co-ordination" as referred to by me were contained in the instructions that the subcommittee got from the executive, and were used in the report.

By Mr. Biggar:

Q. The 1933 committee?—A. Yes, sir. As I said, the instructions were amalgamating the two systems and co-ordinating them.

By Hon. Mr. Murdock:

Q. Does that mean the same as unification?—A. Yes, sir. In point of fact, they meant unification on the one hand and co-operation on the other, in the sense that those expressions have been used in this inquiry. No transfer of the properties to a new company was contemplated, but all that was studied was the economy resulting from unified management on the one hand or co-operation under separate management on the other.

Hon. Mr. PARENT: Mr. Chairman, I have just glanced over this proposed exhibit. I think it should be more than an exhibit, which hardly any one of the committee will look at. It seems to me worthy of being put in the record, and I would ask that it be read. Then the committee will hear it and it will be printed in the record.

The CHAIRMAN (Hon. Mr. Beaubien): Why do you want it read?

Hon. Mr. PARENT: Because then you might ask questions which would be very valuable, because it deals with co-ordination and amalgamation.

The CHAIRMAN (Hon. Mr. Beaubien): The witness has just entered into the difference between amalgamation and co-operation now.

Hon. Mr. PARENT: I want to know whether he is treating the same subject.

The WITNESS: At the moment it is this report I am discussing.

Hon. Mr. CÔTÉ: I quite agree that the memorandum should go in as evidence and not as an exhibit.

Hon. Mr. BLACK: As I understand it, the witness is already giving the evidence.

[Mr. D. L. Howard.]

The WITNESS: I did not propose to go over this report in my evidence. I refer to it as we go along, the main features of it.

Hon. Mr. PARENT: I would ask the witness whether he could summarize this report.

The WITNESS: I do not know whether that would be the most satisfactory way.

Mr. BIGGAR: Perhaps I could do that.

The CHAIRMAN (Right Hon. Mr. Graham): We could have had it read while we have been discussing it.

By Mr. Biggar:

Q. Will you go on with the other subjects you want to deal with, and let me have that report, Mr. Howard?—A. Since the figures shown in Exhibit "I" were prepared in 1932 there has been very little change in conditions, and what change there has been would not effectively reduce the estimated saving. On the contrary, however, there have been changes in conditions which would materially increase the saving. For example, since 1932 both companies have incurred capital expenditures for broadcasting, stock ticker services and other operations, and since that year 1932 the amount of this capital expenditure is shown by the Canadian Pacific as \$1,200,000, and by the Canadian National at \$950,000. It is reasonable to assume that a large proportion of this capital would have been saved if the properties were unified. An approximate amount of \$50,000 per annum has been added unnecessarily to telegraph expenses.

Q. Yes?—A. This statement will cover the labour situation. During the five-year period from 1933 to 1937 there was a total of 335 employees who left the service of this company's Communications Department on account of retirements, resignations or decease. In the same period 205 new employees entered the service. If a like percentage entered the service of the Canadian National during that period a total of 468,000 new employees would enter the communications departments of both systems.

By Hon. Mr. Black:

Q. How many is that?—A. Four hundred and sixty-eight.

Q. Thousand?—A. Did I say thousand?

Q. Yes.—A. I beg pardon. Four hundred and sixty-eight.

The total number estimated to be released, based on the 1932 joint report, was 445—91 supervisory, and 354 others—and it was jointly estimated that it would take five years to put the two systems together. It will be seen that the labour situation would be overcome during the process of unification. That is to say, if we take the five-year period from 1933 to 1937, which I do not think anyone will say were very good years, more people were put back to work than would be affected. It was pointed out that \$1,015,000 would be required for expenditure. The larger part of this expenditure would be for labour. It would appear, therefore, that labour does not represent any serious problem in this issue.

Some time after the report was submitted in 1933, of which I have filed a copy—

By Right Hon. Mr. Meighen:

Q. There is one point there, Mr. Howard. You figure that five years would be required to consummate the unification?—A. Yes, sir.

Q. But in your estimates of capital expenditure, your scheme involved an actual expenditure of \$101,000 for twenty years?—A. Yes.

Q. Would that mean you are still expending money for capital, for the purposes of unification, fifteen years after unification is complete?—A. The \$1,000,000 would be spent within the five years.

Q. Oh, it is just amortization?—A. Yes.

Some time after this joint report was submitted, the subcommittee was reconvened for the purpose of setting up expenses in comparable accounts. That is to say, we each had certain items spread over our accounts which really did not appear to match. There was no question—I do not think there was any question on the final total reached, but in order to make the statement more comprehensive we were brought together for the purpose of putting all the expenses into the same account numbers so they could be readily understood. This also served the double purpose of showing that the figure used in the original joint report was correct, because it was necessary for us and for them to show the entire expense that was incurred, what it was for, and all about it. It was quite an extensive study. This report was also signed jointly, and did not alter the result—that is the total expenses of either company.

By Mr. Biggar:

Q. Did you give the date of that report?—A. That would be 1934. That followed after the 1933 report.

Q. Yes?—A. There has been some change in conditions since the year 1932 which would alter the picture I have painted to some extent. In the year 1932 the employees and officers were working under a 10 per cent reduction in salary, and the savings we showed in that joint report were based on the actual money paid out. In other words, the 10 per cent, if it had not been paid to the employees, would have increased the savings of that year. In the year 1937 the average deduction on basic rates was 7 per cent, so that the difference in the situation to-day, based on the same calculation, would add to that a sum of approximately \$25,000.

By the Chairman (Hon. Mr. Beaubien):

Q. Three per cent?—A. Three per cent. The extension of broadcasting service and the development of broadcasting service since the year 1932 have added considerable expense to both railway companies, that is to the telegraph communication systems.

By Mr. Biggar:

Q. You mean expenses that would now be the subject of savings?—A. Quite definitely, under a unified arrangement.

Q. Why? I should have thought that broadcasting yielded a considerable revenue. But it also involves a considerable expense, does it?—A. Quite considerable, to both companies. We do derive a very good revenue from that service, we both do, and we both spend a great deal of money to provide that service. As the service supply is on a 50 per cent basis, as we each have 50 per cent of the service to supply, we have set up, paralleling each other, broadcasting lines across Canada, with separate offices except in one or two minor cases. Under a unified system, of course, a great deal of that duplication would be eliminated: the separate offices would disappear in many places and the lines would come into the one office and be handled by the one party.

By Hon. Mr. Buchanan:

Q. These broadcasting facilities are in existence with both companies in the same place?—A. Yes. They are in existence now, all the way across Canada, except in exclusive territory. The repeater offices are spread out on each company's system all the way across; we find that we have a repeater office and they have a repeater office at the same points, doing the same work.

[Mr. D. L. Howard.]

By Mr. Biggar:

Q. Is there anything else that would affect these estimates of 1932, and 1933, and 1934?—A. Incidentally, I estimate an approximate saving of \$35,000 is available in that field.

Q. An additional \$35,000?—A. Yes.

By Right Hon. Mr. Meighen:

Q. That is outside of the saving in capital investment?—A. Yes. There would be a saving if that was worked out, because of course the capital supplied these offices would not have been necessary. The 1932 study, which is the one that I particularly referred to, did not consider line abandonments. They were not in the picture; we did not consider them. We were not asked to do that. Our chore was simply to study the economies that could be effected under the two forms as set up, under conditions existing in 1930. Well, there were not any abandoned lines in 1930, so we did not consider them. If we wished to place a rough estimate on that, we would say that an additional saving of probably \$40,000 to \$50,000 for 5,000 miles could be made, or \$16,000 to \$20,000 for 2,000 miles. I notice that these are the figures that have been used in the proceedings so far.

By Mr. Biggar:

Q. These amounts would be added to the annual savings?—A. Yes.

Q. Has there been any other permanent change?—A. That is all that occurs to me at the moment, Colonel, in the line of permanent changes.

Q. Now, you want to refer to a suggestion that Mr. Fairweather made at pages 198 and 199 of the record, that the Canadian National offered to go along with the Canadian Pacific if the Canadian Pacific would take half of the risk?—A. Yes.

Q. What have you to say with regard to a proposal of that kind?—A. I might say for the information of the Committee that my training is entirely practical in the telegraph field. I would not presume to offer any legal opinion—

Q. No, we would not ask you to.—A. It is a case of applying practical principles to what we see. Whether it will stand up legally, I do not know. I have read the evidence given by Mr. Fairweather, at pages 198 and 199 of the record, in which he suggested that the Canadian National offered to go along with the Canadian Pacific if the Canadian Pacific would take half the risk to which they might be exposed under the Montreal Telegraph contract. So far as I am aware, no such offer was ever made, nor after careful inquiry have I been able to find any other officer of our company to whom the proposal was made. The question of the obligations of the Canadian National under this contract was discussed on many occasions, and if it would serve any purpose I would be glad to file two letters exchanged by the General Managers of the two departments in December 1934 and January 1935, which state the final positions which were taken.

By Hon. Mr. Parent:

Q. These letters are not in the record yet?—A. No, they are not.

Q. Will you read them to the Committee?—A. They are fairly lengthy, because they set out the case. This letter was written on December 21, 1934:—

Mr. D. E. GALLOWAY,
Assistant Vice-President,
Canadian National Telegraphs,
Toronto.

Dear Mr. GALLOWAY,—Referring to the discussion in Windsor Station on Wednesday, December 5, with regard to the possibilities of "joint

operation of the two railway companies" wire systems, at which were present the following:

For your Company:

MESSRS. E. E. FAIRWEATHER, GALLOWAY, TEMPLE and ARMSTRONG.

For the Canadian Pacific:

MESSRS. FLINTOFF and NEIL.

I think we were all in agreement that the maximum economy under any scheme of co-operation or co-ordination, which would not contemplate joint operation under unified management, would be restricted to the amount set out in the Committee's report dated February 27, 1934, on "co-ordination".

That should be 1933, I think.

Mr. BIGGAR: Yes; the report is dated February 27, 1933.

The WITNESS (Continues reading):—

Such a saving would fall far short of the objective which our two Companies are seeking, and therefore, it is concluded that the term "Joint Operation" should be interpreted in its fullest sense, meaning unification of management together with the pooling of facilities, services, and revenues on a mutually satisfactory basis. We were also agreed that the saving under "joint operation" in its fullest sense, or in its practical application, would be the same as the various economies embodied in the Joint Committee's report on "amalgamation", on the assumption that the Companies could agree upon their respective obligations with regard to maintenance of plant and future capital expenditures.

In the report of the Joint Committee with respect to economies to be anticipated under "amalgamation" and under "co-ordination", the results showed that taking the year 1932 as a basis, the annual savings under "amalgamation" would be \$1,011,000.00, and under "co-ordination" \$220,000.00. There were certain adjustments suggested by the Canadian National representatives on the Committee which, if conceded, would have reduced the saving under "amalgamation" by a small amount and, therefore, would not affect the general picture.

The Canadian National representatives at the meeting on December 5, voiced the opinion that the agreement between the Montreal Telegraph Company and the corporate interests of your system precluded the possibility of giving effect to "joint operation" on the grounds that the same difficulties presented themselves as in connection with "amalgamation". In dissenting from this view, I stated that it seemed to me that even admitting some difficulty might arise in connection with "amalgamation", that there could be no difficulty with respect to a scheme of "joint operation" because under "Joint Operation" the Canadian National Telegraphs would be in the same position in respect to its obligations to the Montreal Telegraph Company that it now holds.

My reasons for believing that "joint operation" in its fullest sense could be successfully effected regardless of the disposition of the Montreal Telegraph Company matter are based on the following considerations:—

1. The consolidation of the various units of the present Canadian National Telegraph System, and the assumption by that System of the various obligations toward the Montreal Telegraph Company as set out in the agreement do not appear to have presented any difficulties.
2. It seems to me that if "joint operation" goes into effect now and remains in effect until 1978, there would be no need to add to the plant or make any improvements other than such additions and

[Mr. D. L. Howard.]

improvements as have already been made. Also, whether or not the Canadian National Telegraphs continues as at present or under "joint operation" with our Company, it is clear that some arrangement would have to be entered into in 1978 to permit the Railway Company sufficient facilities for the despatching of trains. The Montreal Telegraph Company would be faced with the situation of being unable to provide a comprehensive competitive commercial telegraph service because of lack of connections beyond its own lines and it would be faced with two alternatives, i.e. either to sell or lease its property, or cease to exist. The Canadian National Railways, under joint operation with our Company, would be in a very advantageous position under these circumstances since in so far as commercial communications services are concerned, they would be free of dependence upon the Montreal Telegraph Company except for a number of unimportant points.

3. I believe your Company is performing its telegraph operating services in Toronto in a building not owned by the Montreal Telegraph Company. I assume that the buildings owned by the Montreal Telegraph Company in Montreal, Ottawa, and Toronto must be used by the lessee for purposes of operation, although the extent of such use may not be specifically stipulated. It occurs to me that under "joint operation" certain services could still be performed in these buildings, if necessary, without adversely affecting the situation as regards the benefits to be derived from such "joint operation".

Possibly there are some other considerations with which I am not familiar and which have a bearing on the matter. However, I am presenting these suggestions to you in accordance with our understanding, and in the hope that they may form the basis of further discussions leading to a mutually satisfactory solution of the matter.

Yours truly

(Signed) W. D. NEIL,
General Manager of Communications.

Possibly there are some other considerations with which I am not familiar and which have a bearing on the matter. However, I am presenting these suggestions to you in accordance with our understanding, and in the hope that they may form the basis of further discussions leading to a mutually satisfactory solution of the matter.

Yours truly,

(Signed) W. D. NEIL
General Manager of Communications.

The Canadian National Telegraphs' reply to that letter was as follows:—

347 Bay Street, Toronto 2, Ont.

January 9, 1935.

W. D. NEIL, Esq.,
General Manager of Communications,
Canadian Pacific Railway Company,
Montreal, Que.

Dear Mr. NEIL,—I regret that my reply to your letter of December 21st in connection with the possibility of joint operation of the Canadian National and Canadian Pacific wire systems has been slightly delayed on account of the Christmas and New Year holidays.

As I remember our discussion at our joint meeting on December 5th, it was understood that you would write to me setting out your views

as to how unification of our respective telegraph systems could be accomplished in view of the difficulties we had discussed in connection with the Montreal telegraph agreement.

It is not my understanding that we reached any agreement at the meeting with regard to the savings that might be accomplished through co-operation or co-ordination as this question was not seriously considered, our discussion being almost entirely in connection with the Montreal Telegraph agreement, nor can I agree with your statement that the savings to be effected by co-ordination "would fall far short of the objective which our two companies are seeking." As I understand our problem, it is to make some sort of an agreement that will give the greatest possible economy to both Companies not only during the term of the Montreal Telegraph agreement but for all time, and the question of how the Montreal Telegraph agreement is to be dealt with gave us our greatest difficulty.

In setting out the economies anticipated through amalgamation and co-ordination shown in the Joint Committee report of the 27th February, 1933, I note you use the gross figures of savings and refer to the adjustments, which our representatives considered essential, as not affecting the general picture, but I would like to point out that the figures agreed to by our Section of the Committee in the joint report based on 1932 traffic, after allowing for carrying charges on the cost of amalgamation or co-ordination, were:—

Amalgamation	\$785,000
Co-ordination	\$216,000

and I think you will agree that under present conditions, and with the economies effected since 1932, the savings under either plan would be considerably less than these figures.

Dealing with the reasons you give for believing that "joint operation in its fullest sense could be successfully effected regardless of the disposition of the Montreal Telegraph Company matter," in the first place, I can see no difference between amalgamation as contemplated by the joint committee and joint operation because if the same economy is to be obtained in either case, the same physical facilities must be made joint and the same problems with regard to the Montreal Telegraph agreement must be faced.

Your first point refers to the consolidation of the properties now forming the Canadian National Telegraphs and to the fact that the assumption of the obligations under the Montreal Telegraph agreement by our consolidated company did not present any difficulties. I would say that our consolidated company assumed the obligations under the Montreal Telegraph agreement which assumption did not add any greater burden than already existed, whereas in the present case, the Canadian Pacific has not expressed any willingness to have the new proposed consolidated company assume these obligations.

I am not clear as to your second point, but if it refers to your suggestion at our joint meeting, namely, that from the date of joint operation becoming effective, the Montreal Telegraph Company's outside plant should not be improved but all additions and betterments should be made on the Canadian Pacific property, I can only remind you that the consensus of opinion at the joint meeting was that although this might be practicable for outside plant it would not be practicable as regards inside plant at functional offices. May I point out that the savings to be obtained through amalgamation would be effected almost entirely through the consolidation of functional offices and not through the elim-

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ination of duplicate pole lines and wires. To effect amalgamation would necessarily involve a scrambling of the equipment at the functional offices if the maximum economy is to be obtained, so that whether we speak of "amalgamation" or "joint operation," the results would be identical and whatever obstacles there are in connection with the Montreal Telegraph agreement would have to be overcome in the case of your suggested plan for joint operation.

As to your third point, in my opinion there is nothing in the Montreal Telegraph Company's lease that obligates us to carry on operations in their buildings but at the end of the lease we are obligated to return the telegraph property in general, in good condition for the operation of a public telegraph service, including all subsequent improvements.

I can only repeat that in my view, the first problem to be solved is what can be done with respect to the situation at present existing as a result of the Montreal Telegraph agreement, but I can assure you that we are most anxious to make progress in this matter just as fast as possible and I would be very glad if you would write me more specifically as to how you think this question can be solved and I would be glad to discuss the matter personally with you at any time you suggest.

Yours faithfully,

(Sgd.) D. E. GALLOWAY,
Assistant Vice President.

By Mr. Biggar:

Q. That covers the ground?—A. That covers the situation.

By Hon. Mr. Parent:

Q. What is the date of the letter?—A. January 9, 1935. I might stand or correction on it, but I offer this, that that was not carried further because of some intervening action in connection with a Bill that was being prepared at the time for enabling legislation.

By Mr. Biggar:

Q. That was six months earlier, June 25, 1934. Reference to page 4593 of the Commons Hansard of that year shows the then Minister of Railways withdrew the Bill on that date.—A. I stand corrected.

Q. That covers what you have to submit to us with respect to the telegraphs?—A. That is the situation of the two companies at that time.

I do not know whether I fully covered the remarks by Mr. Fairweather. I express this view, that the position taken by the two companies at the time was a little different. The Canadian National took the position that amalgamation involved a merger of the two physical properties, while our position was that all that was contemplated or necessary was unified operation, and that the situation of the Canadian National on the termination of the lease from the Montreal Telegraph Company in 1879 would be better rather than worse than it would be if the systems were continued as separate units. The question is no doubt one of legal interpretation and I am not qualified to express an opinion upon it.

By Right Hon. Mr. Mcighen:

Q. The main point in Mr. Galloway's letter was that the economies were incidental to certain functional offices.—A. That is, the greatest economies.

Q. Yes, the main economies; and that those economies in functional offices could only be secured by some sort of physical scrambling. Is that correct?—A. Yes. To get the full benefit of it we would have to operate one office rather than two in the larger points. Take Toronto, for instance.

Q. Does that physical scrambling involve any extra liability to the Montreal Telegraph Company? Were they entitled to so use the Montreal Telegraph Company's plant physically, to do that to them?—A. I would say, Senator, that the Montreal Telegraph Company's plant, outside of the building and some definite properties, like underground conduits, has disappeared. The inside plant turns over every ten or twelve years. The telegraph business has new developments constantly arising. This agreement was entered into back in the '80's. I say it would be tremendously difficult to definitely identify any telegraph equipment of the Montreal Telegraph Company, telegraph equipment used in the ordinary course of telegraph business. In other words, I should think it would be a tremendous problem for the Canadian Pacific to identify any telegraph equipment that was in service in 1880. I think it has disappeared.

Q. The meaning of all that, then, would be this, that in so far as interfering or reconstructing or realigning, or anything else, the plant in the functional offices of the Montreal Telegraph Company, there would be nothing more done under co-operation than had been done a dozen times already?—A. Yes, as I understand the agreement, which, incidentally, was entered into in 1879 or 1880 and runs out in 1979. That agreement contemplates return of the property with all betterments. I think the only property they are going to return will be the betterments outside of buildings. The original property will have disappeared.

By Hon. Mr. Coté:

Q. You say that would not include replacements?—A. Oh, yes, according to the agreement.

Q. If it covers betterments, it covers replacements, and the assets would not be interfered with.—A. The assets would gain considerably, because while the original Montreal Telegraph Company has a capital of \$2,000,000, the value of the shares to-day is \$3,000,000, and there is no question that the betterments put into the plant have probably doubled that \$3,000,000. With the property covering the same territory of the original Montreal Telegraph Company and with the improvements the National have put on over the years, its value has doubled at least. That is a rough statement; I have not got details.

By the Chairman (Right Hon. Mr. Graham):

Q. We cannot settle that here.—A. No. But the Montreal Telegraph Company covers an area of the most thickly populated section of Canada. It covers the old Grand Trunk system. Naturally the development of telegraph practice in that area has been very, very extensive.

By Right Hon. Mr. Meighen:

Q. The point is, and I want to know if you substantiate it yourself, that whatever might have to be done to bring about the joint working of the two telegraph systems, the C.N.R. would be in not a less but a more independent position by 1978, because they would have been able to get along without the telegraph company at all?—A. Yes. In other words, while it is referred to here that the improvements would occur on Canadian Pacific property, it does not necessarily follow that it is not readily identified as the property of the company owning it. We have hundreds of miles on our own line of property belonging to outside companies. We permit the stringing of wires belonging to other companies over great areas of property. We make no return on it; that is identified as other companies' property. We have from 1,200 to 1,500 miles of the Trans-Canada Telephone system on our pole line across Canada. It is the same thing as property you put on a person's property, whether you lease or rent it in any manner, you can readily identify it. In other words, if there was an intention to string a wire between Toronto and Montreal by the Canadian National to-morrow, and they desired to get away from the obligation under the Montreal Telegraph

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Company's lease, working as a unified company now, they could string that wire on Canadian Pacific definite property so far as poles and cross-arms are concerned, but the wire would still be there, and the insulators and tie wires, whatever was necessary to put that there, would still be identified as their property.

By Mr. Biggar:

Q. That covers what you have to submit to the committee on this subject, does it not?—A. In connection with that Bill to which some reference has been made, as I understand, it had two purposes, one, to establish a company to take over the telegraph properties of both companies, or, two, to enable such another organization to operate, perhaps separately, but under unified management. It was not a case of amalgamation of the two companies that was entirely considered in that Bill.

By Hon. Mr. Parent:

Q. What is the Montreal Telegraph Company?—A. It is probably the first telegraph system established in Canada. It operated a telegraph line between Quebec, Montreal, Ottawa, Windsor—

Q. The old Grand Trunk?—A. The old Grand Trunk. It was operated as a separate independent company; it was not part of the Grand Trunk system.

Q. It is not to-day?—A. It is, yes. It is not an operating company to-day.

Q. Is it a subsidiary to-day of the Canadian National?—A. No. The Canadian National, by agreement, have leased all of the properties of the Montreal Telegraph Company for a period of 99 years. That agreement runs out in 1978 or 1979. The Montreal Telegraph Company as it is to-day is simply a stock-holding company. Their only earnings, as shown by the balance sheet, are represented in the money paid to them to-day by the Canadian National Company as a rent.

Q. Are the shareholders Canadians?—A. Yes, I think so. I have the sheet here. The stock is listed on the Montreal Stock Exchange. I think all the directors are Canadian citizens.

Q. Could we have the names of the directors?—A. The directors are shown in this sheet as: H. E. Rawlings, President; James B. Paterson, Vice-President; George F. Benson; Lt.-Col. William Leggat, and C. F. Size, all of Montreal. The Secretary and Treasurer is M. P. Domville.

By Hon. Mr. Parent:

Q. And the capitalization?—A. The par value of the stock is \$40 per share, and authorized and issued \$2,000,000.

Q. How many shares issued?—A. Fifty thousand. The \$2,000,000 is the value issued at \$40.

By Hon. Mr. McRae:

Q. What is their income?—A. The income according to agreement is 8 per cent, plus an amount of \$5,000 which pays the Secretary, I believe.

By Hon. Mr. Gordon:

Q. Eight per cent on what?—A. On the \$2,000,000. It amounts to \$165,000 as an expense to the Canadian National.

By Mr. Biggar:

Q. I think we had better finish the telegraph question. May I ask you one question which may be raised? It is perfectly obvious from the correspondence and that a difficulty interposed in regard to the relations of the Canadian National and the Montreal Telegraph Company.—A. Yes.

Q. It was suggested by Mr. Fairweather that that might have been got over, whether the proposal was made or not, by the Canadian Pacific and the Canadian National jointly assuming whatever obligations the Canadian National was under.—A. Yes, assuming half the risk.

Q. Would there have been any objection to that if the proposal had been made?—A. I will answer that as best I can.

Q. Did the decision on that point lie with you or with someone else?—A. It lay with somebody higher up. But I would pass this comment on it. In those days the possibility of joint operation of telegraph matters was a very live issue. That is to say, among the telegraph fraternity we felt that that was the logical thing to do. We were struggling along, and the necessity for a first-class record system of communication was evident. We were able to give an excellent service at non-competitive points—that is important non-competitive points, because we were able to show a little earning—and points like Lethbridge and Medicine Hat were getting very excellent telegraph service. The two companies agreed that there would be a valuation of the properties made by independent experts, and three men, one from the American Telegraph and Telephone, one from the Western Union and one from the Postal Telegraph Company spent several months going over the properties of both companies with the idea of getting a present-day valuation of the properties.

Q. When was that?—A. They furnished the report in 1934.

Q. Yes?—A. They covered the properties and made this special report.

Q. Will you indicate what that has to do with the Montreal Telegraph Company question?—A. It has this to do with it. Included in that report were the properties controlled or owned by the Canadian National, which necessarily included the Montreal Telegraph Company.

Q. What was the objection, if there was any, to a proposal of the kind Mr. Fairweather said had been made?—A. There would not be any except for this particular point, that if you include the assets of the Montreal Telegraph and show it as an asset of the Canadian National, and ask us to take a risk on that, the full asset you are showing does not exist. Let me speak as a practical man. I own a lot and you own a lot. On your lot there is a mortgage for 50 per cent of the value. A man comes along who wants to build on both lots. You want to get the revenue, and so do I. But you say, "I want you to take 50 per cent of the mortgage on my lot and apply it to your earnings." Speaking as a practical man, that is the way it appears to me.

Q. That covers what you have to say on the question of telegraph?—A. I think that covers the situation.

By the Chairman (Hon. Mr. Beaubien):

Q. Do all the lines of the Canadian National now belong to the Montreal Telegraph?—A. Oh, no, only those in the old Grand Trunk area.

Q. In the area occupied when the lease was made?—A. That is right.

By Hon. Mr. Buchanan:

Q. I would like to go back to that capital outlay on broadcasting facilities. You say a great deal of duplication could have been avoided if there were unified management?—A. Yes, sir.

Q. Would that have been possible under co-operation between the two companies? I mean to say, you are providing the same facilities as were the Canadian National Telegraphs at Edmonton.—A. At Edmonton we have a joint arrangement—at Edmonton, Saskatoon and Regina—and work the repeaters in one office.

Q. That is an illustration of what I have in mind. Could that have been done practically under co-operation throughout the whole country, to avoid

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he duplication?—A. You would have to consider the picture as a whole. You could not take one part of the plant and operate co-operatively without interfering with the rest of the plant.

Q. If there was co-operation, using Calgary and Edmonton as two instances, in Calgary these facilities could have been provided by the Canadian Pacific, and in Edmonton by the Canadian National?—A. Yes. Right.

Q. And if that principle had been followed throughout the whole country under co-operation a lot of capital outlay for broadcasting would have been avoided?—A. That is right.

By Right Hon. Mr. Meighen:

Q. Could that have been followed, and if so, why was it not?—A. Broadcasting is a rapidly developing business. Neither company wanted to find itself in the position of not being able to serve, while development was going on; consequently each developed a complete system because we were not certain where broadcasting was going to lead us, and we have practically in all our major points duplicated each other's equipment. We are both fully able to serve.

By the Chairman (Hon. Mr. Beaubien):

Q. And compete?—A. And compete, if necessary. In broadcasting there is no competition because the business is controlled and is settled between the companies as to revenues and services.

By Hon. Mr. Black:

Q. That is by agreement?—A. That is by agreement.

Q. So now you are on an equal footing?—A. Almost from the beginning the revenue and the service was divided on a 50 per cent basis. It was quite a logical thing to do. In the serving of a country and the demands it is not alone the service you provide but the protective service as well, and one of the provisions calls for service over alternate routes.

By Hon. Mr. Parent:

Q. Coming back to the Montreal Telegraph Company, at what date was that company incorporated?

Hon. Mr. DANDURAND: It is a very old company.

The WITNESS: It was incorporated in 1847.

By Hon. Mr. Parent:

Q. And it was then entirely under the direction of the Grand Trunk?—A. No, the Grand Trunk never had any control of the Montreal Telegraph as far as I know. It was an independent company and operated as such until the Great North Western entered into an agreement in 1878 or 1879. The Great North Western was an independent telegraph company owned and controlled by the Western Union, and the terms of the agreement entered into in 1878 were guaranteed by the Western Union.

Q. That was an American company?—A. Yes, sir. I cannot recall the year, but at some time the Canadian Northern took over the Great North Western company, and in taking it over assumed the obligations of the Montreal Telegraph Company.

By Hon. Mr. McRae:

Q. I take it from your evidence that in case of amalgamation of the telegraph systems, the combined system would be in a very much better position to deal with the Montreal Telegraph Company 40 years hence, when the contract expires?—A. Quite definitely.

Q. I presume that the schedules of valuation for both systems show definitely the value placed on the Montreal Telegraph Company?—A. Yes. This valuation was set up in sections.

Q. I think it would be important to have that valuation as an exhibit, if it is available; then if this question comes up we will have the valuation placed on the two respective systems together with the valuation placed on the Montreal Telegraph Company. Is that available for filing?—A. Yes, it is available. I would have no authority or right to file for the Canadian National, but I am sure our company would be glad to file the valuation placed upon their assets.

The CHAIRMAN (Right Hon. Mr. Graham): How would you file that?

Hon. Mr. McRAE: We would get that through the Canadian National. They must have shown it as a separate item.

Mr. BIGGAR: I think that is all.

By the Chairman (Hon. Mr. Beaubien):

Q. Have you anything else to add?—A. I have nothing else, unless something is required.

Hon. Mr. CORÉ: Why not ask Mr. Fairweather whether his company has any objection to filing? This witness cannot file on behalf of the Canadian National. He can file it as far as his company is concerned.

By the Chairman (Hon. Mr. Beaubien):

Q. I understand it was jointly made?—A. It was a joint committee composed of the members of the United States companies, all very capable people. They made a valuation of both properties.

Q. Jointly?—A. No, each property separately, and they submitted a report separately on the value of each property.

By Hon. Mr. Parent:

Q. And that report is available?—A. From our company's standpoint we will file it.

Mr. BIGGAR: There is no objection on the part of the Canadian National. Does the committee want the document printed?

Hon. Mr. DANDURAND: We should like to see it.

Mr. BIGGAR: It will be left with me to be looked at, and I will advise the committee later if I find anything in it that I think should be mentioned.

Before we go on with the next witness, who will be Captain McMurray, had better deal with the points that arose out of Mr. Howard's evidence. First there was a request by Senator Parent that we should look at Exhibit 71, the joint report of February 27, 1933. I said I would summarize it. It begins by setting out the names of the Canadian Pacific and Canadian National representatives to their respective sections, and then it recites that they met from January 23 to January 27, 1933, at the Place Viger Hotel in Montreal. It refers to the fact that they were going to study the problem under five separate heads and states the general principles on which they were proposing to proceed. The discussion of general principles from the point of view of both co-ordination and amalgamation occupies the next four or five pages of the report, which concludes with a schedule summarizing the economies of amalgamation and co-ordination arrived at by the joint committee. The tables are divided into five headings:—

1. Branch and Independent Commercial Offices. The estimated saving are: under amalgamation, \$274,000; and under co-ordination, \$115,000.
2. Functional or Main Offices. The estimated savings are: under amalgamation, \$565,000; and under co-ordination, \$95,000.

[Mr. D. L. Howard.]

3. Maintenance of Plant. The estimated savings are: under amalgamation, \$75,000; and under co-ordination, \$10,000.

4. Supervision and General Expenses. The estimated savings are: under amalgamation, \$97,000; and under co-ordination, Nil.

5. All Other Operating Expenses. The estimated savings are: under amalgamation, Nil; under co-ordination, Nil.

The CHAIRMAN (Right Hon. Mr. Graham): What does that co-ordination mean?

Mr. BIGGAR: It means the same thing that we have been talking about as co-operation. The total estimated savings under amalgamation are given as \$1,011,000, and, under co-ordination, \$220,000.

Then the report goes on to list three comments made by the Canadian National representatives. The first comment is with regard to rentals paid to parent companies. The Canadian National representatives considered that this item, which amounts to \$86,000 under amalgamation and \$31,000 under co-ordination, is not an actual cash saving, being of a highly intangible nature. The second comment refers to the economies made in 1932, the year in which the survey was made. This comment says:—

Under a scheme of amalgamation these savings, made by the Canadian National, which are included in the amalgamation economies, to the extent of \$38,000, could not be made and the economies set out above should be reduced accordingly. Under co-ordination a corresponding deduction of \$13,000 should be made.

The third comment relates to the co-ordination of branch and independent commercial offices, where the commercial telegraph departments of both companies occupy joint offices with the railway passenger and express departments. It is pointed out:—

If, under a general scheme of railway co-ordination, joint offices were decided upon at these points, a further economy to the telegraphs through co-ordination, of \$65,000 per annum, would be possible.

The WITNESS: Mr. Biggar, may I make a comment upon that?

Mr. BIGGAR: Yes, Mr. Howard.

The WITNESS: As regards the Canadian Pacific section, that was not an agreed part of the report. Those were Canadian National qualifications, which we did not agree to.

Mr. BIGGAR: I made it clear that these were comments by the Canadian National representatives.

Hon. Mr. BLACK: The net difference is only about \$30,000, is it?

Mr. BIGGAR: No, it is a little more than that, Senator. It is \$86,000 plus \$38,000, on one side, in the case of amalgamation, and \$65,000 on the other.

Hon. Mr. ROBINSON: The \$65,000 was under co-ordination.

Mr. BIGGAR: The report goes on, after these comments, to say:—

In making this report it is not the intention of the joint committee to arrive at a conclusion in regard to the policy of amalgamation or of co-ordination but simply to set out the factual background of the possible results under either of the two schemes.

Hon. Mr. COTE: I think time would be saved if we had Mr. Howard make comment on the reservations made by the Canadian National to the report.

Hon. Mr. PARENT: The point I wanted to make when I asked to have this document placed on the record is this, that if we want to draw conclusions we would be helped by the report which shows that these representatives came to certain conclusions as to amalgamation and co-operation. A principle that is

good with respect to telegraph lines might be good with respect to other service. If these representatives could come to an agreement for co-operation in telegraphs, there is no reason why co-operation could not be arranged in other matters.

Hon. Mr. COTE: That applies to amalgamation too.

Hon. Mr. PARENT: Exactly.

Mr. BIGGAR: There is one other point to which I wish to call attention. I have a communication from the Montreal Telegraph Company, addressed to the Joint Chairmen of this Committee, under date of May 19, 1938. It is signed by Mr. Rawlings, as President of the Company, It reads:—

With reference to that part of Mr. Fairweather's testimony as reported in the press, wherein he says,—“We even went so far as to open informal negotiations with the Montreal Telegraph Company for the purchase of stock but we couldn't get to first base. They thought they had a good thing.” I beg to submit, on behalf of the Directors of the Company, for your information, the following:

On the afternoon of Friday, April 13th, 1934, following an appointment as to the day and hour, I was waited on by the Hon. C. P. Fullerton in the company of two other gentlemen, for the purpose of his making without having given any notice of the motive of his visit, the unexpected enquiry as to what proposition the Montreal Telegraph Company had to make in order to enable the Federal Government to bring about a consolidation of the Canadian Pacific and Canadian National Telegraph Companies, to which the Montreal Telegraph Company was an obstacle.

My reply to Hon. Fullerton was that the Montreal Telegraph Company had no proposition to make but it would be open to receive one from the Federal Government, relative to which I would write him after I had conferred with the Directors of the Company.

Subsequent to a meeting of the Directors of the Company, held April 19th, 1934, at which the matter was discussed, a letter as per copy enclosed was addressed to Hon. Fullerton, and no acknowledgment has ever been received from him.

Subsequent to such letter to Hon. Fullerton an interview took place between Mr. F. K. Morrow and myself, the essence of which was submitted to the Board of Directors of this Company on December 26th, 1934, upon which date I wrote to Mr. Morrow as per copy attached accompanied by a memorandum referred to, since when nothing further has been heard of the matter from him.

I think you will agree that Mr. Fairweather's testimony is not entirely in accordance with facts and gives a wrong impression which merits this correction.

A full memorandum was made by myself after the two respective interviews and copies of same are available to you if you should wish them.

Yours truly,

(Signed) H. E. RAWLINGS,
President.

The first enclosure is copy of a letter of April 20, 1934, addressed by Mr. Rawlings to Hon. C. P. Fullerton. It reads:—

Dear Mr. JUSTICE,—I have related to the Directors of this Company at the usual monthly meeting of the Board held yesterday the 19th instant, the conversation between you and myself on the afternoon of Friday the 13th instant relative to the lease to The Great North Western

[Mr. D. L. Howard.]

Telegraph Company held by this Company as bearing on the proposed amalgamation of the Canadian Pacific and Canadian National Telegraph Companies.

I may now inform you, in reply to your enquiry, that the Directors have no proposition to offer, but that they have an open mind to consider any proposition received from you that they could recommend as being equitable to their shareholders and for their acceptance.

Such to be subject, however, in their discretion, to first taking the counsel of the Company's legal advisors and your undertaking to assume any legal costs to the Company that may thereby be incurred and become payable irrespective of and/or to the principle of your proposition as submitted.

Hon. Mr. DANDURAND: This does not lead us anywhere, except to show that there was no proposition offered.

Mr. BIGGAR: It is followed by copy of a letter of December 26, 1934, to Mr. F. K. Morrow, addressed to him as a Trustee of the Canadian National Railways, enclosing a memorandum that Mr. Rawlings had made for his own records, and which he says speaks for itself. The memorandum is dated December 20, 1934, and says:—

The subject of the proposed purchase by the Canadian National Railway Telegraphs of the Company's lease to the Great North Western Telegraph Company was discussed by the Board and the general feeling was that the Board should abide by the terms of the President's letter of April 20th to Judge Fullerton.

The Board, however, was favourably disposed towards giving consideration to any equitable proposal for such purchase of the lease of the Company on some terms similar to those by which the Dominion Telegraph Company lease was acquired by the American Union Telegraph Company, et al.

I showed that letter to Mr. Rand, who is here on behalf of the Canadian National, and he said he did not think it was necessary to call any witness about it. Subject to the Committee's decision, that is my own thought also.

Right Hon. Mr. MEIGHEN: They did not make a very fast run to first base.

Mr. BIGGAR: No.

Captain R. W. McMURRAY appeared as a witness and took the stand.

By Mr. Biggar:

Q. You are going to deal with ships, Captain McMurray?—A. Yes.

Q. What is your position with the Canadian Pacific Railway Company?—

A. I am the Manager of the British Columbia Coast Steamship Service of the Canadian Pacific Railway.

Q. And you have been so for how long?—A. I have been manager for over four years. Prior to that I was Marine Superintendent of the Company for nine years. And prior to that I was for twenty-five years at sea. And before coming ashore I was in command of the Company's Atlantic service.

By Hon. Mr. Black:

Q. You must have started in the cradle.—A. Pretty nearly.

By Mr. Biggar:

Q. You are going to direct yourself to that item of \$41,500 at the top of page 425 of the proceedings, I think?

Hon. Mr. HUGESSEN: No, it is the item on page 416, is it not?

Mr. BIGGAR: Yes. I was on the wrong water item. It is British Columbia coast steamers, fourth item on page 416, on the right-hand side of the summary?—A. Yes, \$450,000.

Q. How is that arrived at?—A. That estimate was made by my predecessor, Captain Neroutsos, and it was based on the operations of 1930. I have examined his estimate and I am in complete agreement with him.

Q. That was based on the substitution for the two services that were then in operation of a single service?—A. To a certain extent, yes.

Q. And since then the one service has been withdrawn, has it not, the Canadian National service?—A. Yes, in one particular instance.

Q. There still remains some of it?—A. Yes.

Q. Have you anything more to add about the details of the way that \$450,000 was arrived at?—A. Yes.

By Right Hon. Mr. Meighen:

Q. Are the details of that No. 4 on page 416 appearing anywhere else in the evidence so far, or have you any memorandum?—A. No. I can tell you how it was made out.

By Hon. Mr. Dandurand:

Q. But it is no longer in the picture as a basis to justify the \$450,000?—A. There is still a lot of it in the picture.

By the Chairman (Hon. Mr. Beaubien):

Q. How much remains in the picture?—A. I still estimate a saving could be made of at least \$400,000, and this compares very favourably with the Canadian National estimate. It appears on page 484 of the record. The Canadian National say an economy of \$500,000 per year would result.

By Mr. Biggar:

Q. You had better tell us first how the \$450,000 was arrived at and to what extent it must be modified, having regard to the withdrawal of that service.—A. It is necessary to describe the situation as regards steamship services on the Pacific coast just very briefly. I will do that, sir, with your permission.

Q. Yes.—A. On the Pacific coast both railway companies operate steamships. The Canadian National maintain two all-the-year-round services, one from Vancouver to Prince Rupert, the other from Vancouver and Prince Rupert to the Queen Charlotte Islands. These are the two all-the-year-round services which the Canadian National maintain, and have maintained for many years. During the summer season, in recent years only, the Canadian National have extended their services to Alaska. Their fleet at present consists of five vessels. The Canadian Pacific maintain eight all-the-year-round services, with one additional service during the summer months, and to provide these services the Canadian Pacific have a fleet of fifteen vessels. In addition to this, both companies have a car barge service between the mainland and Vancouver Island. In 1909 the Canadian Pacific inaugurated a daily service throughout the year in both directions between Vancouver, Victoria and Seattle by placing two steamers in operation on that route. The Canadian Pacific have maintained that service ever since, and until 1930 was the only company providing a regular daily service on the route. In 1930 the Canadian National brought a new steamer to the coast and placed it in this service. In the estimate of savings which could have been made by unification, based on the operations of 1930, it was assumed that the operation of this vessel could have been eliminated.

Q. What was the name of that vessel?—A. That was the *Prince David*.

Q. Are you going to give us the figures with regard to the amount of saving?—A. Yes. The saving which would have ensued by the elimination of

[Captain R. W. McMurray.]

the operation of that vessel would have amounted to \$201,000. That includes the operation of the vessel and the wharves which were necessary in connection with her operation.

Q. How did you get at that figure?—A. We knew the exact time the ship was operating, and we based the cost of operation exactly on our own cost.

By Hon. Mr. Hugessen:

Q. How long did she operate?—A. In 1930 for five months, from August 12 to the end of the year. She was not withdrawn until 1931. She still operated in 1931, but this estimate is made on the 1930 operations. That steamer was still operating in 1931. She was withdrawn on September 15, 1931.

By Hon. Mr. Dandurand:

Q. So that vessel is no more in the picture?—A. Not that particular steamer.

By Hon. Mr. Horsey:

Q. Is there any other steamer on that route in the picture?—A. Not that particular steamer. Another steamer was brought out the following year and put on that route also, one running in each direction; but they were both removed in the fall of 1931.

Q. There are no others in the picture now?—A. Not on that route.

By Mr. Biggar:

Q. Yes.—A. The Canadian Pacific has also operated a passenger and mail service from British Columbia to Skagway, in Alaska, since inauguration of the coast service in 1901, and has provided sailings during the winter, twice a month in the dead of winter, and three times a month in the fall and spring, and during the height of the tourist season has provided, in recent years, two sailings a week. Until 1930 the Canadian National had never operated on that route, but in that year they brought out another new vessel to the coast and placed it in the Alaska service, and they also extended the operations of their Vancouver-Prince Rupert steamers to Alaska. The situation in 1930 therefore was that the Canadian National had three vessels operating to Alaska, and the Canadian Pacific also had three vessels operating to Alaska—our usual three vessels. In the estimate made of savings which could have been accomplished under 1930 conditions, it was assumed that this additional service to Alaska was eliminated. That would have eliminated the operation of two vessels and would have given a saving of \$127,000.

By Hon. Mr. Parent:

Q. Do you mean to say that until 1930 the Canadian Pacific, operating alone, having control of the whole situation, was making more money after the Canadian National went over there?—A. Oh, no.

Q. And then, having competition, that you were making less?—A. No.

Q. That is not the point you want to make?—A. No. The Canadian Pacific are not the only people operating to Alaska; we have the American companies there too. This is merely an estimate of savings that could have been made by the elimination of the extra services which were put on by the Canadian National in 1930.

By Hon. Mr. Horsey:

Q. That saving has already been made?—A. No.

Q. I thought that boat was eliminated.—A. This particular boat put on at particular year has gone out of the picture; but there is another one there still. The elimination of that extra service to Alaska amounted to \$127,000.

It was also estimated that further savings could be effected by the consolidation of car barge services between the mainland and Vancouver Island.

Q. Car barge services?—A. Car barge services. They are to take the railroad cars over to Vancouver Island.

By Right Hon. Mr. Meighen:

Q. Railway cars?—A. Railway cars are transported on barges across the gulf.

By Hon. Mr. Robinson:

Q. Where do they cross?—A. The Canadian National car barge terminal is at Port Mann, up the Fraser river a little above New Westminster. Their service starts from there and goes over to Victoria and other points on the island. The Canadian Pacific car barge terminal is in Vancouver harbour. It was assumed that under unification these two barge services would be consolidated and the barges routed through Vancouver. That would give an annual saving of \$104,000, with the elimination of the extra service and the elimination of one barge fleet. A further consolidation of staffs which could have been made under unification would have made a saving of \$18,000.

By Hon. Mr. Parent:

Q. Could that be done also under co-operation?—A. No, sir.

Q. Why not?—A. Under co-operation you cannot very well consolidate staffs there. Are you referring to the last item of \$18,000. That was merely a consolidation of staffs, sir.

Q. I heard you say that under unification you would make a saving of so much?—A. Under unification a saving of \$450,000, based on 1930 conditions.

Q. I am asking you if under co-operation you could not make the same saving?—A. No, certainly not.

Q. I am asking you why.—A. Under co-operation?

Q. Yes.—A. You have the factor of competition. If you have competition you can only have a very, very limited amount of co-operation. In this particular case I don't see how you could get any savings, in fact no saving could be made by co-operation between the two steamship lines.

Q. You say no?—A. Yes.

Q. But you do not qualify your "no," you do not give the reason why you say no.

By Hon. Mr. Murdock:

Q. One service goes out of Port Mann and the other out of Vancouver.—A. Under co-operation you would still have two separate railway companies. I operate steamships, at least I endeavour to do so to the best of my ability, and I endeavour to operate our steamers in conjunction with one railway company and to satisfy their requirements as regards connecting with trains. I assure you it is a pretty hard job to operate a steamship company to satisfy the requirements of a railroad company in connection with train departures; and if it is as hard as that to satisfy one railroad company, I think it would be absolutely impossible to satisfy two.

By Mr. Biggar:

Q. Yes. Now, you were going to deal with the changes that had come about since 1930.—A. Some change has come about since 1930. The principal change is that in 1931 the Canadian National withdrew from the Vancouver-Victoria-Seattle service. They are no longer operating there. But they are still operating the service to Alaska, and they are still operating three vessels to Alaska in connection with their train service. We also are still operating three vessels to Alaska.

[Captain R. W. McMurray.]

Now, in the year 1929, which was the year of peak traffic, we were operating three vessels to Alaska during the intensity of the summer season. These three vessels were not running to capacity; they were carrying good loads, but were not filled to capacity. If they were not filled to capacity in the peak year of traffic, it is natural to assume that they are not now.

By Right Hon. Mr. Meighen:

Q. You spoke of the peak year of 1929.—A. The peak year of traffic was 1929, and in 1929 we had three vessels running to Alaska, and they were not running to capacity.

By Hon. Mr. Black:

Q. They were the only three vessels running?—A. Oh, no. They were the only three Canadian Pacific vessels.

By Hon. Mr. Buchanan:

Q. Prior to 1930, when the Canadian National introduced a service to Alaska, how were they routing their passengers to Alaska? Over American lines?—A. I hope they were routing them over ours.

Q. At the present time they have not any service between Vancouver and Victoria?—A. No, sir.

Q. Do they route passengers over your steamships to Victoria?—A. Yes, sir.

Q. And that is what they were doing prior to the introduction of these vessels in 1930?—A. Yes.

By Mr. Biggar:

Q. Yes?—A. The situation as regards Alaska is still materially the same as it was in 1930; and under unification two of those extra vessels to Alaska could be eliminated, and this would result in an annual saving in operation and maintenance of \$100,000. The barge situation is still, of course, the same as it was in 1930.

Q. So that even as the case stands now, you could by unification make a saving of \$100,000 as far as Alaska is concerned?—A. Oh, yes.

Q. And how much with regard to the car barges?—A. The consolidation of the car barge service would provide another \$97,000.

Q. We may call it \$200,000 in round figures?—A. Yes.

Q. And what about the wharves that you spoke of?

By Mr. Hugessen:

Q. Before you leave the consolidation of car barge services, would that imply that one of the terminals in Vancouver would be abandoned?—A. No, that would imply, I think, that the terminal at Port Mann would be eliminated and all car barge service routed through Vancouver.

By Mr. Biggar:

Q. Yes?—A. Now, in addition to that there is another feature. I have said that through unification two steamships could be eliminated. Now, if the companies continue to operate as they are at present, as two separate companies, undoubtedly two ships will require to be purchased for the Alaska service in the near future. There is no doubt about that, because the ships of both companies are getting old. They were all built about 1910, and undoubtedly two vessels will require to be built within the next four or five years. The cost of those two new vessels would be, I hope, in five years' time, about \$3,000,000. At present it would be nearer \$5,000,000, but we hope prices will come back to normal. So, if the companies are operated separately there will be a capital expenditure of

\$3,000,000 within the next four or five years. I think it is reasonable to allow 4 per cent interest on that, which would amount to \$120,000 a year—another cost which is eliminated not immediately but within the next few years. Once these vessels arrive on the coast there is a capital investment of \$3,000,000 and they immediately commence to depreciate. I think it is only fair, therefore, to allow 3 per cent depreciation on that, which gives another \$90,000. That is \$210,000. I think that is quite a fair and reasonable estimate of savings.

Q. Yes?—A. So altogether, even to-day, you will have an annual saving of \$400,000 odd by unification.

Q. That is, you would deduct from that the cost of one steamship. Would not one require to be bought even if there was unification?—A. No. I wash out two steamers altogether. There are six steamers now, and the same service could be carried by four, and we would carry that with the steamers we have. If unification were carried out to-morrow I would take two of those steamers and scrap them.

Q. And that is the way you get at the present figure?—A. Yes.

Q. Now, does that cover the ground?—A. That covers the ground, yes.

By Hon. Mr. Buchanan:

Q. You are speaking of C.P.R. replacements?—A. I am speaking of both companies.

Q. Would the Canadian National have to replace?—A. Undoubtedly, if it carries on the same service it is giving at present, it will have to buy another steamer.

Q. The five-year period applies to both?—A. Both companies, yes.

By Hon. Mr. Coté:

Q. I would like to ask the witness a question. I am curious to know if you have any figures as to the number of passengers carried by the six ships, three Canadian National and three C.P.R., to Alaska.—A. No, I haven't the figures of the passengers carried. The calculation is all made on the assumption that the original three ships on the Alaska service would carry all the passengers offering. We know that they carried all the passengers offering in 1929, which was the peak year, and still had a margin to spare; therefore we assume they would have carried them all in the years when these other ships were operating.

By Hon. Mr. Robinson:

Q. I was wondering if the Alaska business was growing.—A. It is still a long way below what it was in 1929 and the years prior to that.

Mr. BIGGAR: Thank you.

Mr. FLINTOFT: If it pleases the committee, I shall file a written memorandum.

Mr. BIGGAR: Perhaps you can do it in the form of a written memorandum.

Mr. FLINTOFT: That is what I suggest.

Mr. BIGGAR: Shall I call Mr. Howard back?

Hon. Mr. BLACK: While we are waiting for Mr. Howard, Mr. Chairman, perhaps I might ask about the sittings of the other committees.

Hon. Mr. DANDURAND: This afternoon the business on the Senate Order Paper will be adjourned to Monday evening, and then when the evidence before this committee is completed this evening, there will be next week available for the work of the Senate and the other committees before we call on Mr. Fairweather.

Mr. BIGGAR: Meantime, until Mr. Howard comes, shall we proceed with Mr. Neal?

[Captain R. W. McMurray.]

Mr. FLINTOFT: I was outside, and I understand that an adjournment was suggested.

Hon. Mr. DANDURAND: No adjournment was suggested. I understand the next witness will be the last.

Mr. FLINTOFT: Yes, sir.

Hon. Mr. DANDURAND: We will adjourn the work of the Senate this afternoon in order to finish this evidence. I hope that it may close before 6 o'clock. You can perhaps tell us as to that.

Mr. FLINTOFT: I would hope to finish this afternoon. I am anxious to meet your wishes, sir, and if we cannot finish this afternoon we are at your command to go on this evening, of course.

Hon. Mr. DANDURAND: We could perhaps gain fifteen minutes by proceeding now.

Mr. FLINTOFT: May I ask what your announcement was in regard to the adjournment? I understood that you made an announcement.

Hon. Mr. DANDURAND: Senator Black asked when we would proceed with our Senate work. I said that it was my intention to adjourn what is on the Order Paper of the Senate for to-day till Monday evening, in order to finish the evidence of the C.P.R., and then for the whole of next week to attend to our Senate meetings and other committee meetings, and to take the evidence that may be offered by the Canadian National experts the following week.

Mr. FLINTOFT: Of course, sir, I would like, with your consent, an opportunity of discussing that suggestion at some convenient time this afternoon or this evening. I hesitate very much to offer any observations on that question, but I should like to have the opportunity, if it meets with your wishes. It would be a very great inconvenience to us if that arrangement were followed. Of course, you have your other work to do, but I say with great diffidence that we would desire very much to continue this inquiry and get through with it.

Hon. Mr. DANDURAND: But I would draw your attention to the fact that all the evidence that has been brought forward during the last nine sittings, which were occupied by Canadian Pacific witnesses, will have to be examined. It would not be justifiable for either the parties who will discuss that or the committee itself, to jump unprepared into the testing of that general evidence. I think the Canadian National evidence will not be as detailed as that given by Canadian Pacific witnesses, but it would be unjust to ask Canadian National representatives to step in unprepared and make general statements. They will need several days to examine the evidence, and while they are doing that the Senate can go on with its other work. I cannot see how it could be done otherwise.

Mr. FLINTOFT: I did not understand this was a contest between the Canadian Pacific and the Canadian National. Mr. Fairweather, you will remember, occupied—

Hon. Mr. DANDURAND: Four sittings?

Mr. FLINTOFT: Five mornings and three afternoons of the committee. He concluded, if my recollection is correct, on the morning of the 17th.

The CHAIRMAN (Hon. Mr. Beaubien): When did you begin after that?

Mr. FLINTOFT: The next day.

Hon. Mr. DANDURAND: I must say, Mr. Flintoft, that after the experience we have had in this committee, it perhaps would have been better if the Canadian Pacific had gone on first, in view of the ground that has been covered by the Canadian Pacific. But we did otherwise, and Mr. Fairweather was questioned with regard to what seemed to be the principal underlying argument of the Canadian Pacific, namely the savings to be made from aban-

donment of 5,000 miles of line. We kept him on this track all the time, but now the Canadian Pacific says that that is of minor importance, and that savings are to be made in one department and the other. We shall need, then; to have the Canadian Pacific's statements examined by Canadian National experts, for these are the only experts upon whom the committee can call in trying to put ourselves in a position to form a conclusion.

Mr. FLINTOFT: In the first place, sir, we were furnished with no detail of the Canadian National estimate. Our estimate was given to them two weeks ago, was published in the records of the Committee two weeks ago. If the Canadian National is to have a whole week to go and pick that to pieces—if I may use the expression without any disrespect—or shoot holes in it, if they can—and I do not think they can—the least you could do after that would be to adjourn for another week after the Canadian National had finished, to enable the Canadian Pacific to prepare a reply.

Hon. Mr. DANDURAND: Of course, the Committee will have to decide that.

Mr. FLINTOFT: I am stating my case, sir, that is all. I am submitting this with the greatest respect. But I suggest that this proposed adjournment—subject to the convenience of the House, of course, and the other work that it has to do—is very much too long.

Right Hon. Mr. MEIGHEN: So far as the House is concerned, we do not need a week.

Hon. Mr. DANDURAND: I was pressing the Ministers yesterday to send us some important legislation, and I hope to be able to fill in the week. We need not fix an exact date when the Canadian National will start. We must not lose sight of the fact that this question of unification has been brought to the attention of Parliament, through the Senate, by the Canadian Pacific Railway. They had to make their case. They have done so—I will not qualify that; they have had their expert witnesses, who have been most interesting and have given us a lot of facts; they have made comparisons with statements given by the Canadian National before the Royal Commission. It was for the Canadian Pacific to make its case, for it was the Canadian Pacific that pleaded for unification. And now the Canadian Pacific has made certain submissions to our Committee. It will be for us to test all these statements, the whole case of the Canadian Pacific. I am sure that Mr. Flintoft would not expect us to close the inquiry now, on the case made by the Canadian Pacific.

Right Hon. Mr. MEIGHEN: No, certainly not.

Mr. FLINTOFT: There is no such suggestion, sir. Of course I want the fullest investigation. We feel that we shall profit the more that details are brought out. But I do suggest that if you are treating this as a contest between the Canadian National and the Canadian Pacific, and you are following the ordinary rules of such contests, the Canadian National should go on at once, as in any litigation. Our general statements have all been in our Exhibit No. 49, which has been in since the 18th of May. Our line abandonment suggestions were put in before that. Surely, if these things require examination, it should have been done by this time. We have been here—I do not criticize at all, because I know that honourable members are pressed for time—we have been sitting here afternoon and evening. We have gone on—

The CHAIRMAN (Right Hon. Mr. Graham): So have we, Mr. Flintoft.

Mr. FLINTOFT: Yes, and I sympathize with you, sir, because I know what it has meant. But to suggest now a week's adjournment—it would be more than a week; it would be virtually twelve days—in order to give the Canadian National an opportunity to try to find holes in our evidence—

Hon. Mr. ROBINSON: If there are holes in it, do we not need to find them?

[Captain R. W. McMurray.]

Mr. FLINTOFF: Yes. My position is that I welcome the most searching investigation of this evidence.

Hon. Mr. DANDURAND: We have been sitting here only from Tuesdays to Thursdays, so that part of an adjournment between now and next Tuesday could not be said to be for the Canadian National. The Canadian Pacific representatives have been at nine sittings here, bringing in important documents and evidence, and I think that in order to have a fair and concise reply by the Canadian National we ought to give Canadian National experts time to examine into all these documents and the evidence. My friend Mr. Flintoff says it is a contest between the Canadian National and the Canadian Pacific. I say, No. The Canadian Pacific has brought up this matter, and this Committee cannot turn to any other experts than those of the Canadian National. When this matter was introduced by Senator Beaubien in the Senate, I said that we need not run around outside for experts, that we would have them before the Committee, in representatives of the Canadian Pacific and the Canadian National. Now, we heard Mr. Fairweather from the Canadian National. I do not know how many witnesses have been here from the Canadian Pacific, but probably ten or twelve. Surely we must allow the parties who were in conference with the Canadian Pacific on all these matters a chance to say, "Yes, we admit this," or "No, we contest this," and so on. It will take some time for them to prepare themselves to do that. I think it is but fair that we should give them a week, which time we shall use in doing other work of the Senate.

Right Hon. Mr. MEIGHEN: I do not know that I have any special views as to order and so on, but I have a special view on one point. I did not understand Mr. Flintoff to say that this was a contest between the Canadian Pacific and the Canadian National. If he so regards it, I do not.

Hon. Mr. DANDURAND: Neither do I.

Right Hon. Mr. MEIGHEN: I think it is a most unfortunate and a most extraordinary development of this whole inquiry that a question which is essentially a railway business question should appeal one way to all Canadian Pacific men and another way to all Canadian National men. It is purely a business question from the standpoint of the railways—the Government may have some other angle, and so may we, but from the standpoint of the railways it is a business question, and why it should appeal one way to all Canadian Pacific men and another way to all Canadian National men passes my comprehension. And I want some explanation of it before we get through. Why is it that on a purely business problem the Canadian Pacific men say one thing and Canadian National men say another? The interests of the two, as railways, are exactly the same, assuming that anything which would be done would be fair to each. But here we find one company lined up one way, and the other company lined up the other way, and it is suggested that we should conduct this as a trial between them. I cannot so regard it. As far as the bill of fare at present on our Order Paper is concerned, we could be through by Wednesday. Would it not be all right to adjourn until Wednesday?

Hon. Mr. DANDURAND: We can suspend that decision, because I do not know.

Right Hon. Mr. MEIGHEN: There must be an explanation of this line-up which I do not understand.

Hon. Mr. DANDURAND: I may tell my honourable friend that the various committees have ten bills before them.

Right Hon. Mr. MEIGHEN: Yes, but not all very important.

Hon. Mr. DANDURAND: There are some of importance, and others are coming.

Right Hon. Mr. MEIGHEN: I do not know about that.

Hon. Mr. COTE: We do not want to manoeuvre ourselves into such a position that after we have heard the Canadian National witnesses that there will not be any time for reply.

Hon. Mr. CASGRAIN: There must be rebuttal.

Hon. Mr. DANDURAND: I am beginning to be pretty well convinced that we are here until the 1st of July.

Hon. Mr. COTE: If we adjourn for twelve days now and the Canadian National takes another ten days, we shall be pretty close to the 1st of July.

Hon. Mr. DANDURAND: We may go on this afternoon, at all events, and try to finish with the Canadian Pacific this afternoon and this evening; and then we may adjourn sine die and see what we can do during next week.

Hon. Mr. PARENT: The situation seems quite clear to me. Our leader, Senator Dandurand, explains that the purpose of the adjournment is to give the Senate time to proceed with its ordinary work. He, as a Minister of the Crown, expects some new legislation to come over to us. We could proceed with the Canadian National's evidence when we finished with some of our other work; but the proposed adjournment is not especially for the purpose of giving the Canadian National a chance to contradict evidence of the Canadian Pacific,—nothing of the kind.

The Committee adjourned until 3.15 p.m.

AFTERNOON SITTING

The committee resumed at 3.35 p.m.

Mr. BIGGAR: Before we go on, Mr. Chairman, there are two or three things which I think I had better do. In Mr. McDonnell's evidence, he referred to some joint minutes, and a member of the committee asked to have them made available. They are with regard to express. It is quite satisfactory not to have them printed, but they are available for reference. They are simply confirmatory of his evidence.

The CHAIRMAN (Hon. Mr. Beaubien): Will you state the point briefly.

Mr. BIGGAR: The point was as to the discussions that went on jointly between the Canadian National and Canadian Pacific on the subject of joining the express services. They are signed by the representatives of both organizations. I do not think there would be much difference of opinion about this, so it will be sufficient if we have it available for reference.

Hon. Mr. MURDOCK: Were we to get a copy of the Montreal Telegraph Company's agreement with the railway?

Mr. BIGGAR: We might get that from the Canadian National. It has not been asked for.

These minutes will be Exhibit No. 72.

The next thing the committee asked me to arrange was to have copies of W. L. Waters' paper on the Rationalization of British Railways, and an address by Sir William Wood on the Operation of the United Kingdom Railways Grouping System, distributed to members of the committee, subject to a decision as to whether they should be printed.

The position is this. Sir William Wood's address was given in October, 1933, and we obtained a mimeographed copy of it by the kindness of the High Commissioner for Canada through the British Government. Instead of being mimeographed for distribution to members of the committee, it has been printed in the same form as our proceedings, and consequently I imagine there is no reason why it should not form part of the proceedings. If so, we can just mark it as Exhibit No. 73.

[Captain R. W. McMurray.]

Then Mr. Water's paper is an address presented before the American Society of Mechanical Engineers, Railroad Division, Metropolitan Section, New York, May 11, 1938. We have thirty copies of that, by Mr. Waters' kindness, for distribution to members of the committee. The paper is nine pages in length and here is an additional page of discussion. That discussion is not on the copies that were previously in the hands of some members of the committee. The paper, as I say, is only nine pages in length, and perhaps the committee would like to have it printed.

The CHAIRMAN (Hon. Mr. Beaubien): Have you enough copies?

Mr. BIGGAR: We have only thirty copies of this. The other has been printed already and forms part of the proceedings.

The CHAIRMAN (Hon. Mr. Beaubien): I think Mr. Waters' address is a very important document.

Hon. Mr. MURDOCK: I move that it be printed in the record.

Mr. BIGGAR: Then this will be Exhibit No. 74.

Hon. Mr. PARENT: That is the document entitled Rationalization of British railways by W. L. Waters?

Mr. BIGGAR: Yes.

Hon. Mr. PARENT: That is the document of which, through the courtesy of Mr. Waters, thirty copies have been placed at the disposal of the committee?

Mr. BIGGAR: Yes.

Hon. Mr. PARENT: Consequently there is not harm in having that filed as an exhibit. We already have it in our hands.

Mr. BIGGAR: Yes.

Hon. Mr. DANDURAND: It may call for criticism.

Right Hon. Mr. MEIGHEN: By those who are against rationalization?

Hon. Mr. DANDURAND: I was under the impression that at an early period of the inquiry we decided to discard a comparison with railway conditions in the United States, Great Britain and France. I have no objection to the paper being marked as an exhibit.

Right Hon. Mr. MEIGHEN: I was not suggesting you had any objection to it; that you spoke of possible criticism.

Hon. Mr. DANDURAND: There may be, I do not know.

Hon. Mr. HUGESSEN: I think the person who might criticize it is Senator Beaubien, for on page 6 I notice that the average annual earnings of employees of the British railways went up from \$380 in 1913 to \$890 in 1936; which is more than the Canadian proportion.

Right Hon. Mr. MEIGHEN: We are all in favour of it.

The CHAIRMAN (Hon. Mr. Beaubien): On the other hand, you will find other things in it which no doubt you will object to, but which I shall be very much in favour of.

Hon. Mr. PARENT: This document, then, goes in as an exhibit?

Mr. BIGGAR: Yes.

Hon. Mr. MURDOCK: We are all for you, Mr. Chairman, in spots.

The CHAIRMAN (Hon. Mr. Beaubien): All right.

Mr. BIGGAR: Then the Canadian Pacific has asked me to have filed a copy of a few pages of Sir Edward Beatty's evidence of February 19, 1932, before the Royal Commission. It appears at page 2401 and the following pages of the proceedings of the Royal Commission.

Hon. Mr. DANDURAND: Does it bear on matters which Sir Edward hesitated bringing before us?

Mr. BIGGAR: On the contrary, I think it is really confirmatory. That is the reason why they desire to have it marked as an exhibit.

Hon. Mr. PARENT: Who asked for production of this document?

Mr. BIGGAR: The Canadian Pacific. On page 466 of our proceedings referred to it as being marked as an exhibit at that stage, but it was not marked. This will be Exhibit No. 75. It is just for verification.

The CHAIRMAN (Hon. Mr. Beaubien): Is it very long?

Mr. BIGGAR: No, five pages.

The CHAIRMAN (Hon. Mr. Beaubien): I think we ought to get it printed.

Mr. BIGGAR: All right.

I turn to another subject that will come up in subsequent meetings of the committee—Exhibit No. 42. I thought it would be necessary to have before the committee what happened in regard to that \$56,000,000 estimate before the Duff Commission.

The CHAIRMAN (Right Hon. Mr. Graham): Whose estimate?

Mr. BIGGAR: Mr. Fairweather put this in. Discussion of it was not the subject of a stenographic report; it was only a note. It runs from page 18 to page 31 of the report of the Duff Commission. It was presented at what was called a private conference on the western tour en route from Ottawa to Vancouver on December 8, 1931. That had better be Exhibit No. 76.

Then I am afraid we shall also have to place before the committee the matter that that was dealt with by Sir Henry Thornton. What he said chiefly about it is to be found on pages 667 to 669 of the Duff Commission report. It is just a little over two pages. That is dated January 4, 1932. That had better be marked, I think, as Exhibit No. 77.

Then there is one other little passage—it is the only other time this was referred to by Sir Henry Thornton—and I think I had better read it. It consists of only about ten lines. It is on pages 741 and 742. Lord Ashfield said:

I am bound to say that I am a little confused now; perhaps you can straighten it out without my asking Sir Henry.

He was speaking to Mr. Hungerford.

Hon. Mr. PARENT: Is it possible that the lord was confused?

Mr. BIGGAR: Yes, I think he was.

I am bound to say that I am a little confused now; perhaps you can straighten it out without my asking Sir Henry. I rather gathered from what Sir Henry said this afternoon that over a period of years, through co-operation in respect to passenger services, there might be a saving of \$60,000,000 a year.

Sir HENRY THORNTON: No—may I interrupt? I did not say that.

Lord ASHFIELD: What was the \$60,000,000?

Sir HENRY THORNTON: I said that if the two railways were amalgamated, it had been estimated that in theory there could be a saving of \$60,000,000 produced, which would come in in the first year and proceed to a maximum within five years. That was a theoretical figure which the statistical departments of the two railways, I understand, had agreed upon.

Right Hon. Mr. MEIGHEN: Did he explain what a "theoretical saving" was? I am confused on that.

Mr. BIGGAR: Not any further than is set out in the previous passage of the evidence, which I have not read. The point was that Sir Henry Thornton was under the impression on January 4 that that had been prepared jointly by the Statistical Departments of the two railways. In that he was wrong.

[Captain R. W. McMurray.]

The only other thing I have to refer to is the correspondence I have had with Mr. Rand, on behalf of the Canadian National Railways, because I think the committee has to know next week how this is to be approached.

Hon. Mr. DANDURAND: Could you not have the evidence of the last witness?

Mr. BIGGAR: I want to avoid doing it at the tail-end of the day.

Hon. Mr. DANDURAND: But you are adjourning for an indefinite period.

Mr. BIGGAR: I have not taken more than ten minutes yet. I can finish in five.

Right Hon. Mr. MEIGHEN: Unless this is necessary, let us go on. We want to get through at 6 o'clock. I do not know who is going to read this between now and the next meeting.

Mr. BIGGAR: It may be ten days hence.

Right Hon. Mr. MEIGHEN: What difference does it make?

Hon. Mr. ROBINSON: Cannot we have it now?

Mr. BIGGAR: On May 27, in anticipation of the discussion that might arise, wrote to Mr. Rand as follows:—

It seems now to be clear that the attention of the Senate committee will be directed to the question of whether or not substantially greater savings can be brought about by unification or consolidation than by any other method of dealing with the railway situation. Accordingly the basis not only of the Canadian Pacific estimate of \$75,000,300 but that of \$60,000,000 made by Sir Henry Thornton and of \$56,000,000 for a normal year made by Mr. Fairweather will come into question. No doubt these latter estimates are in effect one. No doubt also some of the items which enter into the total figure must be regarded as conjectural. It will, however, obviously, I think, be important that the nature of the basis and the assumptions underlying each item should be made to appear, and I think it would save time if, as I indicated to you yesterday in conversation, the materials for this analysis were prepared well in advance.

If you could let me have the details as soon as they are ready it would assist in hastening the progress of the inquiry.

I got a letter back from Mr. Rand dated May 30, as follows:—

As I conceive the nature of the inquiry being conducted by the Senate committee, it is for the purpose of examining all the data relevant to the railway problem which is before this country. Among that data would be included any proposals advanced to the committee as practical measures of solution. One such proposal has been placed before the committee, namely, that by Sir Edward Beatty. Involving as it does such technical complication of railway administration a critical analysis of that proposal must obviously be made by those who are familiar with the general railway situation in Canada. The officers of the National Railways are examining the terms of that proposal in the expectation that they will be asked by the committee for that kind of assistance.

On the other hand the National Company has as yet made no proposals of any sort, much less one looking to unification. The only view of the inquiry which would call for an analytical treatment of the figure of \$56,000,000, which you mention, is that the proceeding is a contest between the two railways and that the estimate of \$56,000,000 is to be treated as an admission to be urged against the National Company should the statements which may be made to the committee by its officers challenge the validity of Sir Edward's proposal at least in dimensions that would at all satisfy the claims that have been made for it.

[Captain R. W. McMurray.]

I venture the opinion that such a view is a complete misconception of the function and nature of the inquiry. In a letter of this date to Mr. Flintoft, a copy of which is herewith, I have indicated the general attitude which the National Company takes towards the estimate of \$56,000,000. May I add that any evidence the officers of the National Company may offer to the committee will be given, not by way of special pleading, but as a rational and critical treatment of a plan of such import to the country as to call for the most searching examination that can be given.

For the reasons mentioned, therefore, I cannot see the relevancy of the data or assumptions from which the estimate in question is drawn, but if the fullest particulars are desired they will be found in the memorandum which accompanied the estimate to the Duff Commission and which is Exhibit 42 in the present inquiry and in the qualifying statements made to the Duff Commission by Mr. Fearweather, which are contained in the evidence he has already given to this committee.

Now, the enclosure related to a suggestion I had made to Mr. Flintoft and Mr. Rand on May 26. It was that Exhibits 42 and 49 should be brought together in more detail than they are in Sir Edward Beatty's statement before the committee, where gross sums are given. The result of that was that Mr. Flintoft had prepared a detailed comparison of the figures in these two exhibits and submitted it, as appears from a copy of the letter he sent to me on May 28, to Mr. Rand, suggesting that Mr. Rand should submit it to the officials of the Canadian National, and that they should let me know before Tuesday next what, if any, suggestions or criticisms they had to make in regard to it, and saying:—

If necessary, our officials will be glad to discuss the matter with you or your officials in order that we may comply with the request of the committee.

The "request of the committee" was a misapprehension. There was no request though on Thursday last I told the committee I had made this request, but the reference to that statement was omitted in some way from the notes, because there was some noise or something of that kind.

Now, Mr. Rand's reply to Mr. Flintoft was dated May 30, and was in these terms:—

I have your letter of the 28th instant.

I am not aware of any request from the Senate committee either to your company or to the National for a more detailed comparison of the figures of \$75,373,000 and \$56,230,000, mentioned in your communication. Such a comparison was made in the statement presented to the Senate by Sir Edward Beatty, and your present memorandum appears to be an amplification of that. Such a compilation is of course within your privilege to make and your request to me is in fact that the National Company associate itself with your company in that comparison. Obviously we cannot do that. The implication would be that we are treating the two estimates as having been propounded in the same character, but that is not so. In Sir Edward's case the figure was obviously given as one realizable in practical action. It is seriously submitted to-day as the solution of the railway problem and the essential consideration for the committee is an inquiry into the vital conditions of the proposal, namely, its practical feasibility. It is of course to the data on which that question must be determined that the evidence to the committee is being directed and so far as it may be desired by the committee our assistance will be given in analysing that evidence and indicating our views as to its soundness or unsoundness.

On the other hand, the figure of \$56,000,000 was not submitted to the Duff Commission as, and is rejected by the National Company.

[Captain R. W. McMurray.]

as, a practical realizability. Its details and the qualifications accompanying its original presentation, moreover, are already before the committee and a careful examination of them, as well as the evidence of Mr. Fairweather already given, will demonstrate that. The comparison, therefore, would be between a plan now propounded as a practicable scheme on the one hand, and, on the other, a theoretical estimate which, taken in the sense of its actual dimensions, its physical proposals, and its qualifications, was never put forward as a practical proposal. I am sure you would not want me, by association with such a comparison, impliedly to disregard the essential difference indicated.

It may be that such a treatment was in the mind of Colonel Biggar when he spoke to us on the 26th instant, although his letter to me of the 27th instant does not so deal with the matter. For that reason I am sending a copy of this letter to Colonel Biggar. I suggest that all we can do in order to get a detailed comparison is to use the one that has been prepared by the Canadian Pacific, for what it is worth. That will be Exhibit No. 78?

W. M. NEAL was called as a witness, and took the stand.

By Mr. Biggar:

Q. Mr. Neal, what is your present position with the Canadian Pacific Railway?—A. I am at present Vice-President of Canadian Pacific Western Lines, extending from Port Arthur to Vancouver Island.

Q. I suppose you have grown up with the C.P.R.?—A. Yes, sir, I have had that privilege, starting with the Canadian Pacific at the age of 15 in Toronto, I spent two and a half years there, from 1902 to 1904, and was transferred to Western Canada, where I spent eleven years in various capacities. In 1915 I was transferred to the East, and remained twelve and a half years, during which time I was given leave of absence for two and a half years, when I served on the Canadian Railway War Board during the war years. On my return I was in charge of operations, as Assistant General Manager of the province of Quebec, and in Southern Ontario, and Superintendent of lines in Northern Ontario, and for two and a half years was assistant to Mr. Grant Hall in Montreal. For ten years, or almost eleven years, I have been back in Western Canada.

By the Chairman (Right Hon. Mr. Graham):

Q. Was that the Railway Board you referred to?—A. The Canadian Railway War Board.

By Mr. Biggar:

Q. What was the general character of that organization? Some of us may not remember it.—A. It was formed in 1917. I was then Superintendent of Transportation for Eastern lines, busily engaged in the supervising and handling of troops and other materials for the Canadian Pacific. I was informed at the time by the Senior Vice President of the Canadian Pacific that the Government of the day had got in touch with the railway executives and had told them it was necessary that they get together and improve the transportation efficiency of the Canadian railways. Something similar had been done in the United States. They were to do this of their own volition, or the Government proposed to do it for them—to take over the railways and operate them themselves. Consequently they chose the alternative and decided they would get together themselves, and I was appointed General Secretary of this Canadian Railway War Board and instructed to organize it. That was done, and a system of reports was established and committees were formed, the personnel of which I

selected, and approved by railway executives. You will recollect that we had then several railways in Canada instead of two as at present.

By Hon. Mr. Parent:

Q. What year was that?—A. That was in October 1917, Senator Parent. That board continued to function in that way until the troops were all returned from the war, and its powers were shorn from it at the end of 1919. It supervised the transportation efforts of the railways, although as time went along it got into other activities of the railways, as these boards usually do. I think that one of the most valuable functions that it performed was assisting in the establishment of an organization which still functions, known as the Canadian Railway Board of Adjustment No. 1, which is in the nature of a final court of appeal for all routine labour disputes that arise between railways and their various classes of employees.

The CHAIRMAN (Right Hon. Mr. Graham): It gave good service too in shortening the haul of freight.

The WITNESS: Well, sir, we dipped into all forms of transportation. The railways in Canada placed themselves completely under the control of this board. Our particular object was to expedite the movement of troops and war supplies and necessities.

By Hon. Mr. Buchanan:

Q. Was the board made up entirely of railway executives? Were there Government officials on it?—A. Its active members were all railway officials except that one of the gentlemen to whom I reported, as General Secretary, was the Hon. Dr. Reid, who was then Minister of Railways. I visited him personally every week and made a report on everything that was going on. The united efforts of the railways, under the aegis of this board, did speed up the transportation of troops and war supplies, and were efficacious in other ways. If I may I will just give you an illustration of one thing that it did. When this Board was formed Canada's war exports were hampered very seriously by an extremely serious shortage of cars, and around that time there was a preponderance of loaded movements southbound. The American railways also were very busy and they absolutely declined to return our cars.

By Mr. Biggar:

Q. Notwithstanding the dollar a day?—A. Notwithstanding the dollar a day. I suppose the cars were earning \$25 a day for them. We first of all took it up with the American authorities, and I am sorry to say with very little result. Finally I came to Ottawa and the matter was taken up with Dr. Reid who pursued it through diplomatic and governmental agencies, and eventually arrangements were made by which we succeeded in establishing a regular return of American or Canadian empty cars—we did not care which they were—from Canada, and that car shortage was permanently corrected for the duration of the War in that way.

Q. Your general point about that is that you have had some direct experience with something that looked in the direction of unification?—A. It was a united effort, yes sir. It gave me an opportunity to size up the railway situation in Canada by close personal contact—I mention this just as a matter of fact—that possibly no other railway officer in Canada has ever enjoyed. So happened in that way.

Q. You have heard the discussion that has gone on here with regard to these estimates. Can you speak generally about estimates of this kind in your experience on the railway?—A. Yes sir. I must confess that I have been a little confused myself—may I explain, sir, that prior to coming down here in connection with this present hearing, I had nothing to do, except in

[Mr. W. M. Neal.]

a very brief and superficial way, with discussions regarding the Duff Commission reports or the study of unification. Naturally, as a railroad man who has lived and travelled all over the country, I study the railway situation all the time. But I have not quite been able to grasp the difference between what has been referred to as guesses, whether intelligent or educated or any other kind—and estimates, because, frankly, in the Canadian Pacific, we do not use guesses; we cannot work that way. I think it is an ordinary business principle that forecasts must be made, and these forecasts must be made and these forecasts are made as a result of knowledge and experience, coupled with judgment, making due allowance for variable factors.

By Hon. Mr. Buchanan:

Q. Does that apply to crop reports?—A. Yes sir. One of our occupations at this time of year is trying to guess the crop. Later on we estimate it. I am speaking from the standpoint of an executive who must have accurate information from his officers in order to make decisions. I have to make them myself, and they must be right. In our engineering department, where an estimate is being made for \$500 or \$500,000 or more, it does not matter what the sum is, great care is taken. All the various factors entering into that estimate are taken into account. The cost of material, the probable trend in price of material between when the estimate is made up and when the purchase, if any, will be made, the amount of labour, the cost of labour, the nature of the work and the location of the work, where it will be done, and so on, all these things are taken into account. I cannot have an estimate from an engineer and later find out that he is 50 per cent out. He may be a little out, but because of his knowledge and experience I expect that he is going to be very close to the point.

By Hon. Mr. Calder:

Q. What happens if he is not?—A. In all my experience with railroad engineers I have found they are very meticulous in their estimates; and they are so careful and they take up so much time that they almost try the patience of a Job. In only one instance did I find—this is something that I am using as an illustration to answer your question, Senator Calder, and it is over a long period of years—there was an instance when an engineer did do some very bad guessing in connection with some figures which he prepared, covering a rather expensive job. And he was so far out and displayed such a lack of sense and responsibility that I had to put him in a less responsible position. That is the only case in my experience of engineers where they were very far out. Every business institution must have accurate forecasts. Now, with regard to your question, Senator Buchanan, regarding the crop, I would like to mention this just as an illustration, because I want to emphasize the accuracy with which estimates can be made. And this is a very important thing in connection with transportation, particularly in Western Canada. Every year for a good many years I have made a practice of taking a trip personally round throughout the grain belt. I do that usually in the second two weeks of July, because by that time I can gather information which will tell me definitely about what the crop is going to be, and where it is going to be, and in what order it is going to come out, whether from Southern Manitoba or Southern Saskatchewan, and so on. We have to make arrangements in advance, to arrange for the distribution of locomotives, for the distribution of cars, for the distribution of cabooses, and supplies, and men in roundhouses, and so on. At this time of year, anything of that nature would be merely a surmise. Last year, following my usual procedure, I made a tour of the grain belt, and about the 25th of July—and you will appreciate this, Senator Buchanan—when I was asked, on my arrival at Montreal, what the western Canada wheat

crop would be. And I said 160 million bushels. It was actually between 15 and 160 million bushels. That information I gathered by personal survey by conversation with farmers, elevator operators, our own agents, and anybody else that I could find as I travelled around to ask them. I was asked what percentage the Canadian Pacific—

Hon. Mr. PARENT: Mr. Biggar, may I ask you what you expect from this witness? This is no information for the Committee. I would like you to come down to facts.

The WITNESS: I am trying to demonstrate the accuracy of forecasts against guessing. And I was going to say—

Hon. Mr. HUGESSEN: Let us omit that, Mr. Neal.

By Mr. Biggar:

Q. You have heard the evidence with regard to this particular set of estimates that we have had?—A. Yes sir.

Q. Are they the kind of estimates that you have been in the habit of acting upon?—A. On my arrival in Montreal from the West I got in contact with the members of the Committee, and so far as I could checked over this information with them, and so far as I can judge the same process of estimating was used by those various officers in their respective departments as we use ordinarily in making forecasts such as those to which I refer.

Q. You have heard it suggested in the letter that I read just now that some of these economies that are contained in this estimate are—I forget the word—

Right Hon. Mr. MEIGHEN: Theoretical,

Mr. BIGGAR: Unrealizable, not practical.

The WITNESS: Following the evidence as I have, and knowing these officers as I do, and having had many opportunities of checking up the results of their figuring in other matters, I must say quite sincerely that I have a great deal of confidence in their judgment, their experience and their ability to estimate. They are practical men and statisticians. I do not know anything about statistics, but I do know about the other end of it.

Hon. Mr. DANDURAND: What is Mr. Neal here for, to give us some statements?

Mr. BIGGAR: To deal with the general situation. He was going to sum it up; that was the idea.

Hon. Mr. DANDURAND: I simply wonder if the witness is going to go over the whole of the evidence and say, "I support that." I take it for granted that he would not contest statements that have been made to us by officials of the Canadian Pacific. Is he going to support those statements by other facts, or simply going to say that he has confidence in those men? We all take it for granted that the Canadian Pacific officials have confidence in the men on their staffs. I do not know exactly what the witness intends to cover.

Right Hon. Mr. MEIGHEN: I should judge, from one or two letters that I heard at some length, that the Canadian National officials regard all estimates as theoretical and undependable. I am glad to get some evidence of their real character.

Hon. Mr. DANDURAND: They speak of their figures, their \$56,000,000.

Right Hon. Mr. MEIGHEN: If that is all they mean that is theoretical, that is a different thing.

Hon. Mr. DANDURAND: We have had a number of statements which were based on estimates.

Right Hon. Mr. MEIGHEN: Certainly. But this is a matter of how these are done, and the competence of the men who do them. This is vital.

[Mr. W. M. Neal.]

Hon. Mr. DANDURAND: I wonder if the witness is simply going to declare his confidence in the men who made these estimates for the Canadian Pacific?

Hon. Mr. PARENT: That is exactly the point I wanted to know. We are all aware that Mr. Neal is one of the cleverest men on the Canadian Pacific Railway.

Some Hon. SENATORS: Hear, hear.

The WITNESS: Thank you, sir.

Hon. Mr. PARENT: But if he has nothing to add to what has already been stated by the other witnesses, if he is simply going to give all these men his blessing, we do not need him at all. We admire his face—

The WITNESS: Thank you again, sir.

Hon. Mr. PARENT: —but if he has nothing to add to what has been said, we do not want to hear him.

The WITNESS: Perhaps my preliminary statement, sir, was a little too lengthy. What I was trying to do was to demonstrate the accuracy of the method that we use in compiling estimates.

By the Chairman (Hon Mr. Beaubien):

Q. You wanted to demonstrate that the figures submitted by your company constituted in no way a guess?—A. Precisely, sir. May I proceed, sir?

By Mr. Biggar:

Q. Go ahead.—A. Having observed during the course of the proceedings that there were variations, in some cases upwards and in some cases downwards, from original estimates, I asked our officers for information which I thought might be of value to your honourable Committee in arriving at an accurate conclusion. You will have observed these variations. As I mentioned a moment ago, I am not a statistician, but I do take the figures which our expert statisticians prepare. They have given me this statement, which I would like to read to the Committee, with your permission. I asked our officers for a tabulation of these deductions and increases, and they are as follows. These are with regard to the original estimate prepared by Sir Edward Beatty, of \$75,373,000.

By Hon. Mr. Horsey:

Q. Bringing it up to date?—A. Yes, sir, revising it. In the first place, Deductions—

By Hon. Mr. Murdock:

Q. This is different from what we have in the record so far.—A. This is a summary in consolidated form of the evidence already given.

Q. We have not got it in the record yet.—A. Not in the way it is here:—
A—Deductions

1. Savings from co-operation and co-operative measures already in effect or approved, estimated jointly at (page 121) \$1,771,000
2. Reduction of estimated savings of passenger train miles from 7,574,454 to 6,649,836 as a result of a change in the first estimate and pro rata adjustment of passenger car miles (Exhibit 63) 1,255,000
3. Reduction of one-third in estimated savings of dining car expenses owing to savings under pooling arrangements not included in joint estimated savings referred to in Item 1 above and reduction in dining car mileage connected with reduction in passenger train miles referred to in Item 2 above (Mr. Liddy's evidence) 306,000

4. Reduction in estimated savings in general expenses on the assumption that recovery to 1930 volume of business would under separate management result in these expenses rising only to 90 per cent of the 1930 level (Mr. Liddy's evidence) .	428,000
5 Reduction in estimated savings in traffic expenses on the assumption that recovery to 1930 volume of business would under separate management result in these expenses rising only to 83 per cent of the 1930 level. This makes allowance for elimination of Canadian National radio expense. (The 83 per cent in this case is calculated in the same manner as the 90 per cent referred to in Item 4 above.)	981,000
6. Reduction in estimated savings in British Columbia Coast Service owing to withdrawal in part of Canadian National service since 1930 (Capt. McMurray's evidence)	43,000
7. Reduction in express economies connected with reduction in passenger train miles referred to in Item 2, above (Mr. McDonnell's evidence, page 726)	17,000
Total deduction from the estimate of \$75,373,000	\$4,801,000

On the other side of the page there are increases which should be taken into account, that is, increases in the estimate.

B—Increases

1. Additional revenue from readjustment of interline divisions, say one-half of the Canadian National estimate of \$3,000,000 (page 486) for which no allowance was made in Canadian Pacific estimate (Mr. Jefferson's evidence, page 713)	\$1,500,000
2 Rerouting over unified lines of Canadian Pacific traffic through Detroit gateway to increase system haul taken as one-half of \$2,272,000 (page 489), being increased gross revenues less estimated expenses of handling, included in Canadian National estimate and not in Canadian Pacific (Mr. Jefferson's evidence, page 714)	1,136,000
3. Increase of estimated savings of freight train miles from 5,301,323 to 8,000,000 (Mr. O'Brien's evidence)	2,464,000
4. Increase in estimate of interest saving on rolling stock expenditure rendered unnecessary by unification (Mr. Liddy's evidence)	3,956,000
Total of tabulated increases	\$9,056,000

It was pointed out in Mr. Liddy's evidence that in addition to the savings of interest on rolling stock (Item B 4 above) there would be a saving of the amortization of the cost of such rolling stock amounting to approximately \$4,500,000 per annum. This item has not been included in the foregoing tabulation for the reason that the saving, which is definitely part of the annual economy, would not be realized in cash until such new rolling stock came due for renewal and this would not be within the five-year period. Other important opportunities for savings have been mentioned which we have not attempted to reduce to figures.

By Mr. Biggar:

Q. You have not included in your summary, Mr. Neal, the deduction which would be made if there were no abandonments.—A. I have it in the memorandum, sir.

[Mr. W. M. Neal.]

Q. You are coming to that?—A. Yes, sir.

It was stated in the note to the summary of the estimated economies printed on Page 416 of the proceedings that, "These economies do not include (except as to equipment) the saving in interest on capital expenditures, which will be less for the unified railway than for the properties operated separately." On the other hand, no provision has been made for interest on capital expenditures for fixed property required to accomplish unification for the reason that such expenditures would not be made unless it could be shown that sufficient additional savings would result to justify them.

Taking into consideration all the evidence, there is no reason to feel that a fair estimate of savings due to unification on the 1930 level of business would be less than the \$75,373,000 presented to the Royal Commission in 1932.

The serious interest of the committee in the effect on our estimate of a possible decision to alter the extent of line abandonments or to abandon no lines at all has made it necessary to consider the resulting alterations in our figures. Mr. Liddy has stated that the simplest and most accurate method for arriving at such figures is to compute what it would cost to maintain the lines proposed for abandonment on branch line standards, and add to this the cost of supplying a tri-weekly mixed train service on such lines. He has shown that if only those lines which are common to both the Canadian National and Canadian Pacific estimates to the Royal Commission are abandoned the total estimate of savings would be reduced by approximately \$4,215,000 to \$71,158,000, and that if none of the lines referred to in Exhibit 50 were abandoned, the original estimate would be reduced by \$7,248,000 to \$68,125,000.

Mr. Liddy pointed out that these two estimated adjustments with regard to line abandonments make no allowance for the possibility that if no lines are abandoned the train service on many parallel lines could be rearranged so as to avoid the cost of tri-weekly mixed train service included in the reductions referred to above.

Moreover, the reductions of \$4,215,000 and \$7,248,000 referred to above do not take into consideration the fact that they would duplicate to the extent of \$624,000 the savings through co-operative abandonments which form part of the sum of \$1,771,000 deducted under Item A1 above.

Members of the committee have put many questions dealing with the subject of alterations in the estimate which would be necessary to obtain the savings possible under 1937 conditions. It would be impossible to make an accurate estimate on the latter basis without going through the intricate processes described by the various witnesses. I asked our officers if they could not arrive at an approximation sufficiently accurate to assist the committee to arrive at a conclusion as to the effect on the estimate of \$75,373,000 resulting from reduction in traffic volume since 1930. They point out to me that the combined expenses of the railways in 1937 were \$79,643,000, or 20·7 per cent less than in 1930, and that if it be assumed that all the unification economies possible in 1937 had fallen in the same proportion as the reduction in expenses of the two railways operated separately the estimated saving of \$75,373,000 would be reduced to \$59,740,000. In this connection, it should be kept in mind that the level of wages in 1937 was appreciably below the levels both of 1930 and 1938.

As pointed out in the evidence, the Canadian Pacific does not admit that the conditions of 1937 or 1938 can properly be regarded as normal. We still believe that the year 1930 may reasonably be regarded as a normal year and, therefore, we are firmly of the opinion that the original

estimate of \$75,373,000 can properly be regarded as a realizable measure of the annual savings which would result from unification under normal conditions.

By Hon. Mr. Parent:

Q. Under normal conditions with the provision that you remove a certain part of the lines?—A. That is taking into account the remarks which I have just made, sir.

By Mr. Biggar:

Q. Now, Mr. Neal, that disposes of your notes and summary in regard to the estimates?—A. Yes, sir. I have no further comment to make in regard to that.

MR. BIGGAR: Mr. Chairman, it is suggested that Mr. Neal deal before the committee with this question of the labour situation. Perhaps the committee would like to hear from him on that point?

By Right Hon. Mr. Meighen:

Q. Before you do that, Mr. Neal, I have not heard very much on the feature that has been in my mind—perhaps I should have asked Sir Edward Beatty about it—as to the effect of unification in respect of the aggregate cost of future improvements with respect to capital requirements. It strikes me that that ought to be the main avenue of savings.—A. I thought that that item was dealt with by Mr. Liddy in his evidence yesterday.

Q. In a general way, but not as to any estimates. Would you care to make any comment on the possibilities there of what I fear in the future will be a duplication of these capital commitments? It is the capital commitments that have murdered us in the past.—A. Quite right, sir.

Q. I am wondering what would be possible along that line, gigantic savings?—A. I am not a financial man, sir, but the answer must be perfectly obvious. If we have one railway management in Canada we would get away from this heavy capital investment that arose from competition such as we had prior to 1932. It always seemed to me that that was one of the circumstances that brought about the inquiry of the Royal Commission at that time.

By Hon. Mr. Robinson:

Q. There is one feature of this thing I would like to ask about. You speak of a normal year, but the railway conditions of Canada and of the world generally have changed, and what was a normal year a few years ago may not be a normal year ten years from now.

Right Hon. Mr. MEIGHEN: I am inclined to agree with Senator Robinson.

By Hon. Mr. Robinson:

Q. Clever as these gentlemen may be at making estimates, I wonder if anybody can make an estimate of what the future of the general railway situation is going to be. I do not suppose that you can very well estimate that.—A. I should like to attempt to answer, because in doing my own personal figuring, in my own amateurish way, I have taken the year 1930 as a base year. One of my friends warned me about that time that I would be looking back on it as a boom year, and sometimes I have. But I fully anticipate that in Canada in any event our total volume will get back to the level of 1930.

Q. There is a general feeling the world over—A. That is getting pretty far into the field of economics. But in Canada, particularly in Western Canada, when all is said and done, I think I am not far afield in saying that our railway traffic and conditions generally rise and fall with agricultural production. There

is no indication in the West of a drastic reduction of the acreage sown to grain. So long as that factor remains stationary it becomes a matter of weather conditions, combined with world markets, of course. But having seen the rises and falls of railway traffic, and taking into account changes due to highway competition or the increased growth of grains in the consuming countries of Europe, I cannot see why conditions in Canada will not return to normal. I would be surprised if they didn't.

By Right Hon. Mr. Meighen:

Q. I am inclined to agree with Senator Robinson that you are optimistic in accepting 1930 as a standard year in railway traffic. Are you not going to face a continual contraction due to other forms of competition?—A. Other forms of transportation?

Q. Yes.—A. Increasing inroads of highway competition are being made with more or less success at the present time. It took the railways some time to get started meeting that competition, but we are doing it in the form of pick-ups and deliveries; we are gradually getting on to the roads our own trucks, and speaking for the C.P.R., we are operating some bus lines; and from my own personal observation, particularly in the longer haul passenger travel, the biggest element is the air-conditioned equipment. That comes from the passengers themselves.

So far as Canada is concerned, we do derive our principal earnings from primary products, the long haul, mostly for exportation, and I do not see how a truck is going to get into it.

By the Chairman (Hon. Mr. Beaubien):

Q. If it is true you are going to lose some traffic—and you have lost much—A. True.

Q.—is it not an additional reason why we should seek unification and reduce the equipment to the size of the trade?—A. There are more reasons than that. That is perfectly correct. This thought has come into my mind many times. If the railways were not competing with one another to the extent to which they do, we would have time to concentrate on devising further means of competing with other forms of transportation.

Q. And you could more easily do away with your surplus equipment that you now keep for competition?—A. That would follow.

By Hon. Mr. Coté:

Q. Is it worth while to carry on your competition with the other methods of transportation to such an extent? Your L.C.L. business, for instance, is a small part of the total. It pays well, but it is expensive to operate.—A. It is expensive to handle. Furthermore, in my opinion, there is a very close relationship between the L.C.L. freight that a man ships and the carload freight that he ships, because many ship carload and L.C.L., and the trucker is getting into the carload business too. That has been demonstrated in the United States, and it is increasing in Canada.

By Hon. Mr. Horsey:

Q. Dealing with the large future capital expenditure savings, if we had an outside board to compel co-operation, and that would deal with all future expenditures of the two roads so as to avoid excessive competition and waste—A. That, I take it would be something similar to one of the functions of the Interstate Commerce Commission. Sir Edward Beatty referred to that.

Q. Would that not be just as effective in stopping the waste on future capitalization?—A. No, sir, I do not think so, for this reason, that under this board you always have the two elements and you have the arguments and the influence.

Q. But the board would have control.—A. But how far will the board exercise control?

Q. That would be their business.—A. It might have the statutory authority, but it would not be as sure-fire as if you had central organization.

Q. It would not have the direct interest—

By the Chairman (Right Hon. Mr. Graham):

Q. Has anybody figured out or estimated what capital expenditure will be incurred in bringing about the unification?—A. That is a very hard question. I just mention it in this memorandum. That is a question that I asked our committee. In looking over the situation and the possibilities of unification, it would be necessary to go to every location and figure out whether this proposition was economically sound or not, which facilities would be closed up and which changed. I could not answer at this stage.

Q. I can understand that it is difficult until you know what changes you are going to make, what facilities you are doing away with, what stations you are abandoning, and what you will have to build, for instance in the big cities. I understand the difficulty, but I thought perhaps you had it in your head and would not tell us.—A. I would tell you quite frankly if I had a figure of that kind or knew how to get it. You see, we would have to cover the whole country and make studies even in order to arrive at an educated guess.

By Hon. Mr. Murdock:

Q. In your statement you referred to the Detroit gateway. I touched upon this same question a couple of days ago, but I am no wiser now than when I first thought of it. It is a fact that the Canadian National has the Grand Trunk, or the Grand Trunk Western from Port Huron and from Detroit to Chicago, a mileage of 1,035 in Michigan, Indiana and Illinois. I would like to know whether under this contemplated unification as proposed by you it is the intention for your line to utilize the tracks and services of the Canadian National lines already laid down and operating between Port Huron and Detroit and Chicago.—A. Under unification, it is my understanding that we would not have Canadian Pacific and Canadian National. We would use the facilities of the unified company instead of those of competing companies.

Q. And the Detroit gateway would be via Canadian National?—A. I would say so if I were operating under a unified system.

Q. A gentleman yesterday laid down a proposal for four regions. In region "B" he proposed a mileage of 7,975 miles, in which was included 1,035 miles of the United States lines west of Detroit and Port Huron. Now, in that region was included such places as Sudbury, Schreiber, Smiths Falls, Trenton, London, Stratford and Allandale. Would that be a consistent regional set-up, having regard to United States Interstate Commerce regulations?—A. The railways already operate lines in the United States, all in the one region.

Q. No, the lines in the United States on the Canadian National— —A. You are talking of the Grand Trunk Western?

Q. Yes. Would not they have to be handled as a separate entity under Interstate Commerce Commission regulations?—A. No, sir. As I say, we already operate lines in the United States under Interstate Commerce Commission regulations.

Q. Through Maine, yes.—A. And down in Vermont, and vice versa you have the Canadian Central or the Michigan Central through Southern Ontario.

Q. Do you think that would be the logical arrangement for 1,035 miles of line?—A. I have not studied it. I could not say.

By Mr. Biggar:

Q. Looking at Exhibit No. 49; which shows the estimate of \$75,373,000, the first of the subordinate exhibits that has any figures in it, I think, is

[Mr. W. M. Neal.]

Exhibit "H," which begins at page 422. Now, if I have understood the evidence given by the succession of witnesses we have had before us, there are really comparatively few assumptions that underlie all those figures in Exhibit "H," which amount to \$64,000,000 odd out of the total of \$75,000,000. There is only \$9,000,000 out of the \$75,300,000. I want to know if I am right in that, in order that we may, if possible, shorten our proceedings.—A. If I understand the question——

Q. I am going to ask you about the assumptions that underlie all those figures of the \$64,000,000.—A. Well, I listened to evidence given——

Q. I am going to indicate to you what it seems to me underlies it. In the first place, a great many of the figures in these tabular statements in Exhibit "H," which add up to the \$64,000,000, are arrived at by applying to the whole mileage of the unified systems, less 5,000 miles, Canadian Pacific unit costs? You have followed that?—A. I have sir.

Q. Now, it would appear—a good many members of the committee have called attention to it—that if corresponding Canadian National unit costs were adopted instead, an entirely different result would be found. That is true, is it not?—A. I should think that would be so. I should think that is quite obvious.

Q. I think that the fact is, is it not, that—take Exhibit "F," for example, the figures that underlie that rearrangement of the system headquarters, regional, district and division, do not involve any assumption at all except Canadian Pacific unit costs applied to the administration?—A. To the new administration.

Q. I mean, there is no other assumption underlying them at all?—A. No, sir.

Q. The Canadian Pacific unit costs also underlie some other things. I think that they alone underlie the general expenses, which is the tabular statement at the bottom of page 425?—A. What is that question again, please?

Q. These savings of \$4,289,005 do not involve any assumption except Canadian Pacific unit costs?—A. That is all, sir.

Q. And I think the same thing is true for the "All Other Expense" table, on page 426, which is really only dining and buffet car service?—A. Yes.

Q. There are other assumptions, and we can deal with the particular figures to which they relate.—A. I beg your pardon, sir, but Mr. Leslie has drawn my attention to the fact that the dining car service table was based on combined cost.

Q. There none of those assumptions are involved, none of the assumptions that we have so far referred to?—A. No, not on that item.

Mr. LESLIE: I might add, Mr. Biggar, that in certain cases it is a mixture.

Mr. BIGGAR: I know. We are coming to some of the other cases where there is an obvious mixture.

Q. But there are other assumptions, I think only four of them. In the first place, there is the assumption that 5,000 miles will be abandoned. We have dealt with that specially, and you have given all the figures with regard to that and we can dismiss that for the present?—A. Yes.

Q. We have a second assumption, that there will be a reduction of the passenger train mileage. And a good many of the figures in the others of those tabular statements depend in part on the application of Canadian Pacific unit costs and in part upon the assumption—if it is an assumption, or calculation—that the passenger train mileage will be reduced, as indicated in Exhibit B?—A. I haven't it in front of me, but if these are the figures demonstrated by Mr. McNeillie, this would be taken into account.

Q. Then we have the figures based upon the assumption that the freight train and freight car mileage will be reduced, as indicated in Exhibit "C" at page 418. And finally you have got, for the purpose of one or two figures

only, an assumption that by unification rather better terms could be obtained for the coal that the unified system would use than is obtainable separately by the two systems?—A. Yes, sir.

Q. I cannot find any other assumptions underlying them, but I find a different class of things underlying some of the figures. There are some figures—and we shall have to look through them to see which they are—that do not depend upon assumptions at all. They depend upon actual reports from people we have not seen. I think it was Mr. O'Brien who told us that he had had reports with regard to actual figures of savings that could be made at a number of stations?—A. Yes, sir, I think he said that.

Q. So that there you are not making any assumptions of the kind that I have been speaking of, but the committee that prepared this estimate in 1932 accepted calculations which were made by individuals whom we have not seen?—A. Quite so. For instance, some of Mr. O'Brien's figures were based on the handling of L.C.L., freight. Well, I have worked around in these things, and I know how the figures are made up. They may reasonably be accepted as being accurate. He also referred to the knowledge which we have from interchange of equipment.

Q. That is not exactly the kind of thing I am speaking of. But you have that class of thing, where Mr. O'Brien said, "I asked the men who knew all about Vancouver station service, and I was told that \$52,500 could be saved," for instance. Now in the first place it is perfectly obvious, I think you will agree, that this Committee here could not possibly undertake to examine the accuracy of every estimate of that kind. We cannot get these terminal and station people here before us, fifty to eighty of them.—A. The time of the Committee would be taken up indefinitely.

Q. Exactly. Now just with regard to that, is or is not that kind of information the kind of information that you as an executive officer in the railway department upon from day to day?—A. Yes sir. In the case of Vancouver, I know the men who made it up.

Q. But I mean, that is the kind of information you get for the purpose of making a decision?—A. Yes.

Q. Now I want to go back to those other assumptions with regard to reduction in passenger train mileage, and freight train mileage particularly. I have said those are assumptions underlying the figures.—A. Yes.

Q. Because we assume the results of Exhibits B and C. But when you come to look at the foundation of Exhibits B and C—I mean those reductions of passenger and freight train and car mileage—have you not got exactly the same thing underlying those as you have underlying the station figures, but they are brought together in Exhibits B and C? That is to say, that for the purpose of arriving at the figures in Exhibits B and C of the reduction in passenger and freight train and car miles, somebody has had to make an examination of a particular situation with regard to that, a particular piece or pieces or line, the tonnage that moves over it or them, and other matters of that kind, which involve thousands of points of detail? Am I right?—A. Correct, sir.

Q. And is there any more chance, possibly, of the Committee going into those thousands of particular instances than there is of its examining the situation with regard to stations and terminals at some forty or fifty places in Canada?—A. No sir. You are doing exactly what I do myself.

Q. How do you mean?—A. In accepting information from people—of course you do not know them, but I know them and I have confidence in them.

Q. But would you say it is possible for the Committee to deal with the numerous facts that underlie those figures with regard to the number of train miles?—A. If you pursued those things to the ultimate detail, sir,—it would be quite impossible for this Committee to do it.

[Mr. W. M. Neal.]

Q. It really comes down to this, does it not, that all that we can do here is to determine whether these figures were or were not carefully prepared and are worth particular examination?—A. Yes, if they are practical.

Q. We are in this position. This Committee of the Senate represents indirectly, if not directly, the people of Canada. And the people of Canada are the owners of the Canadian National. That is the position?—A. Yes sir.

Q. So that really the capacity in which you are here is as representing a privately owned railway, trying to convince the owners of the competitive railway that an estimate that your officers have made with regard to possibilities of unification is an estimate upon which they should put dependence? That is the position, is it not?—A. Yes sir. May I make this remark, sir, that in studying these things we do not study them entirely as Canadian Pacific people.

Q. But at all events you are here as an officer of the Canadian Pacific Railway?—A. Yes sir.

Q. And you have recommended to the Committee an estimate with regard to the possibilities of unification. Now, suppose that the representatives of the people of Canada said, "Look here, Mr. Neal, we cannot satisfy ourselves about this, so as to be perfectly sure. What chance are you prepared to take, you, the Canadian Pacific Railway, that your figures are right?"—A. I believe they are right, and I am prepared to have them, so far as I have discussed them, and my confidence in them, subjected to examination.

Q. But I am putting it this way: what you are really asking the representatives of the people of Canada to do is to recommend to the shareholders of the Canadian National Railways that they should enter into a particular kind of agreement. Now is it possible for the Canadian Pacific to consider saying: We are so convinced that if we set up a new unified management with five directors appointed by us, five directors appointed by you, and five directors selected by those two groups, we are so convinced that we can persuade these remaining five directors, the joint five directors, that our proposals with regard to savings from unification are right and that the savings can be practically made, that we are prepared to make a deal with you on the basis that they are right?—A. Well, I think that that is the foundation of Sir Edward Beatty's statement.

Q. Well, he has not suggested that, you know.—A. I do not know whether I follow you.

Q. I am not asking you to commit yourself.—A. I would be prepared to give you a clear answer so far as it rests within my authority to do so, but I do not know whether I follow you correctly. We have this proposed board spoken of—

Q. We have not got it yet.—A. I am talking hypothetically. If we had it composed of fifteen directors, as you say, what are they to consider?

Q. They are going to manage the unified system.—A. Do you mean could it be done?

Q. You know, I am assuming that has been done.—A. Yes.

Q. Now, the directors representing the Canadian Pacific meet the other directors and say, "We propose to make certain economies and the aggregate of those economies will be \$75,000,000." Now, is the Canadian Pacific to-day, before that unification, prepared to say, "If we cannot persuade those directors, it is we who suffer"?—A. I don't know that we would suffer.

Right Hon. Mr. MEIGHEN: I thought you were going to say, "If we cannot get these results we would suffer."

Mr. BIGGAR: But I think the other is the fairer way to put it, because the point, as it is put against unification, is really this: it is all very well, you are talking of the possibility under ideal conditions of making these savings, but practically public opinion won't allow you to do it, and you know any unified railway in the last resort will be governed by public opinion.

Hon. Mr. PARENT: The question is very appropriate and gives the whole matter in a nutshell.

Hon. Mr. COTÉ: We have a precedent already.

The WITNESS: As I understand it, the legislation has been passed? The new company has been formed and the directors have been selected and they are in charge?

Hon. Mr. CALDER: You are assuming that.

By Mr. Biggar:

Q. You are trying to follow me?—A. Now, it is their responsibility to put those estimated savings into effect. They will examine each project which has been placed before them, and they will call in their experts and say, "We want your recommendation on such and such a service. You must consider at all times the paramount feature of public interest and care of employees." Having taken care of these things, then we have to go to the Board of Railway Commissioners, if it is a matter of public service, and we can be reasonably assured that we will get a favourable decision from the board.

Hon. Mr. DANDURAND: That is another hurdle?

The WITNESS: In some cases yes, in others no. But in my experience where we have been able to convince the Board of Railway Commissioners that nobody is going to suffer, the board has dealt with the matter on its merits. There are other things which this company could do with respect to which they would not have to go to the board for approval and in which labour is not involved nor public service.

By Mr. Biggar:

Q. The real point I am putting to you is this, Mr. Neal. It may have some practical significance, it may have none, but it is worth exploring for a few minutes. Supposing there was an agreement that unification was advisable for the purpose of saving from \$50,000,000 to \$75,000,000 a year, much of which is paid out of taxes. Now, it was suggested that the possible division of that saving should be on the basis of an amount calculated by reference to what the Canadian Pacific had earned in past years and what the Canadian National had earned in past years, and when any residue of that saving should be divided equally.

Right Hon. Mr. MEIGHEN: You have it wrong.

Mr. BIGGAR: I thought I had it right.

Right Hon. Mr. MEIGHEN: What was said was this. The approach to the agreement for unification should be along these lines, that as respects earnings represented by aggregate earnings in the past of the two systems over a period of years to be agreed upon, those earnings should be divided as they have been in the past; but when you come to the earnings beyond that, which would be considered the earnings due to the unification, they should be divided in the terms of the Canadian Pacific brief and the Canadian National would get at least one-half.

Hon. Mr. DANDURAND: No; on an equitable basis.

Right Hon. Mr. MEIGHEN: At least a half.

The CHAIRMAN (Hon. Mr. Beaubien): No. The savings would be divided on an equitable basis.

Right Hon. Mr. MEIGHEN: Yes.

By Hon. Mr. Murdock:

Q. When our distinguished chairman, Senator Beaubien, started this entire discussion, I understood, and I think others did too, that we were going to save

[Mr. W. M. Neal.]

the forgotten taxpayers of Canada \$75,000,000 a year by the unification of the railways. Are you prepared to guarantee that?—A. I personally?

Q. Yes.—A. I never had that much money in my life. I think the Canadian Pacific Railway might be prepared to do so.

Q. If they would, then that is the answer.

The CHAIRMAN (Hon. Mr. Beaubien): I will take your note, Mr. Neal.

Mr. BIGGAR: This is the way it is put at 529 of the proceedings:—

The third of my fundamental points is that each group of owners should continue to receive under unification the net earnings which past experience indicates their company would have received as an independent institution,—

Right Hon. Mr. MEIGHEN: That is it.

Mr. BIGGAR:

—and that the additional net earnings made available by unification be shared between them on an equitable basis. I assume that the Government would directly receive at least half of these savings. These details, of course, could only be determined at the time of the formal contract.

Hon. Mr. CALDER: Quite right.

By Mr. Biggar:

Q. Let us put that in terms of figures. Suppose we ignore questions of bonds or stocks or anything like that. The Canadian Pacific has to pay about 24,000,000 in fixed charges before it declares a dividend to its owners—between 20,000,000 and 24,000,000—and the Canadian National falls about \$42,000,000 below paying its interest due the public. All right. Now, let us say, to get a easy figure, \$50,000,000 is the amount of the saving due to unification. Under those circumstances there would be an actual credit to the Canadian Pacific, and the Canadian National deficit would be substantially reduced, and then something would be divided equally?—A. It would be according to that formula.

Q. Now, that would be true—

Hon. Mr. CALDER: I doubt very much if this witness can go into that at this stage of the question.

Hon. Mr. PARENT: He is well able to protect himself.

Right Hon. Mr. MEIGHEN: If you take \$50,000,000 as the savings due to unification, Sir Edward Beatty has said that that whole \$50,000,000 would be divided equitably, and that "equitably" meant the Canadian National would get at least one-half.

Mr. BIGGAR: Is that really possible, because who is going to determine how much of the net earnings of the unified roads are due to unification?

Right Hon. Mr. MEIGHEN: That is all going to be in the agreement. The basis of the agreement was this, that out of earnings of the two systems would be taken such amount as was represented by the combined earnings over a period, and divided between them in the proportion of their respective earnings in the past. We will say the earnings were \$75,000,000 in the past, and that the earnings on the one basis are \$25,000,000 and on the other \$50,000,000; they will be divided in that way. Then any additional earnings over that \$75,000,000, say \$50,000,000 will be divided equitably, with the condition, in the words of Sir Edward Beatty, that the Canadian National gets at least say half.

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: I should like to import into that condition the difference that they might get a little more.

Hon. Mr. CALDER: They have a larger mileage.

Right Hon. Mr. MEIGHEN: Yes.

Mr. BIGGAR: I am not putting that to Mr. Neal as a question. I say there is the simple position: the Canadian Pacific has put forward this estimate, and it might be worth while considering how far the Canadian Pacific would benefit under it.

The WITNESS: I am hardly in a position to answer that question. I cannot assume the responsibility.

By Mr. Biggar:

Q. I have put the point clearly enough?—A. I think so, sir.

Hon. Mr. COTÉ: As far as I can see, on that theory, if there were no earnings the Canadian Pacific would have no money to pay interest on their fixed charges.

By Hon. Mr. Calder:

Q. Mr. Neal, I do not know that you should answer the question, but there is another hurdle to be met, as I see the evidence. It appears to me from the evidence that the unit cost on the C.N.R. is higher than that on the C.P.R. take that from the comparative tables that have been submitted to us for certain classes of service. Now, as Colonel Biggar has pointed out, your estimate savings are based largely, not entirely, on your unit costs, and if the \$75,000,000 or thereabouts is to be saved, it is saved, in the opinion of the C.P.R. officials on the assumption that your unit costs are made applicable to the combined railway mileage. Well, I think you will meet a hurdle there. That hurdle may not be with the C.P.R. officials, it will likely be the public, and you will have to get over that public.—A. In part, sir, also—

Q. And just let me add this. It will not be the public in the ordinary sense of the term. There will be a political consideration to be taken into account, and your board of directors will be up against that political situation. Then the question at once arises whether it will be possible for the board of directors to apply your unit cost to the entire railway mileage of Canada.—A. My answer to that, sir, is this. Once the unified system is established it will naturally follow that if there are more efficient methods they will be adopted. For instance, if the Canadian National practice in respect of some particular item is considered the most efficient, it will be made the standard.

Q. That is not a reply to my question.—A. If they are in effect on the Canadian Pacific Railway, they will be made standard. I do not see where the effect of public opinion comes in.

Q. You have got to remember that if you disturb a certain railway condition in a certain part of Canada you would at once have a public opinion that is liable to express itself politically. There are people who have got to be elected to Parliament, and those people want certain things done and certain other things not done: for instance, "certain stations must not be closed or you won't get my vote." That is the practical situation that your new board will be up against. My point is, you will find a condition in there—I quite understand your viewpoint—if you give this new board of directors the same powers that the C.P.R. directors now have they would be able to say, "We are not concerned about the election of members to Parliament, and we will be able to apply our unit figures." But once you take in a major portion of the railways of Canada and begin to interfere with large sections of the services of those railways, then you have got another factor that you are bound to take into consideration.

Hon. Mr. MURDOCK: In other words, you have a creature bigger than its creator.

The WITNESS: Absolutely no.

Hon. Mr. PARENT: Or a power within the state.

[Mr. W. M. Neal.]

By Mr. Biggar:

Q. There is a very difficult point in what Senator Calder says. That is the reason I was referring to those assumptions, which I think are all the committee really need to deal with. Could you provide for us between now and the time the committee is going to meet again some tabular statement comparing the Canadian Pacific and the Canadian National unit costs so far as those unit costs enter into this exhibit of yours, No. 49?—A. Yes, sir I think they are all in the evidence. It is just a matter of getting them together.

Q. Now, the difficulty is that it is hard to get these calculations made. It is possible you could carry that further, if you will. There has been a good deal of discussion of the difference between 1930 and 1937. Could you have that comparison of unit costs, so far as they are relevant, made for both years?—A. Yes, sir.

By the Chairman (Hon. Mr. Beaubien):

Q. The operating ratio of your railway would show that?—A. That shows the results. That is what I go by when I am comparing—

By Hon. Mr. Robinson:

Q. Have you any idea as to what the operating ratio would be when you made these statements; what the saving of \$75,000,000 would mean?—A. It depends on the earnings.

By Hon. Mr. Hugessen:

Q. I think it would be interesting if you would tabulate on the basis of a \$5,000,000 saving in 1930 what the operating ratio would be in that year.—A. Exactly.

By Hon. Mr. Robinson:

Q. That would be easy?—A. Yes, sir.

May I answer Senator Calder? He has brought up a very interesting point. I quite realize, sir, what you have in mind. I know nothing whatever about politics—

By Hon. Mr. Calder:

Q. When I opened my mail this morning I found in it a document which I found up with a statement as to the necessity for a united front against the abandonment of this and of that.—A. That is precisely what Mr. Flintoft was talking about, and that is the needless agitation of the public mind. It has happened before.

Hon. Mr. PARENT: You cannot expect anything else.

The WITNESS: What I was going to say was this. In visualizing the unification of this railway we must remember that these things are not done at once. Changes such as you refer to are occurring more or less all the time in the Dominion of Canada, and without any active public resentment. I started to say we had made certain savings, for instance, on our North Shore line north of Lake Superior, parts of which were double-tracked prior to the War when we had a very heavy grain movement. We took up the double track and used the ties and the ties, and it did not mean anything at all. Then, our Transcona yard in Winnipeg has not operated since December 15, 1928, because we have not had a wheat crop big enough to require it.

By Hon. Mr. Calder:

Q. In a sentence, your argument is that unification, if adopted, would take time?—A. Necessarily.

Q. It could not be brought about to anything like a full extent in less than five or ten years, or probably longer?—A. It might take longer.

Q. And you think that because of the period of time over which it would be spread there would not be any great danger of public resentment?—A. Yes, sir. I would not think it would be so revolutionary as to upset the country. I can remember that invariably when I used to come to Ottawa to see Dr. Reid he used to warn me about actions that were going to upset the public.

Q. I am sitting next to the senator from Diamond Junction, and he has been for Diamond Junction ever since he has been here.

Hon. Mr. PARENT: Against.

Some Hon. SENATORS: Oh, oh.

By Mr. Biggar:

Q. I do want, if possible, to get this discussion down to something manageable when the committee reconvenes. In the first place, we have the practicability of these things, but apart from practicability we have the question of the figures and I have asked you for these comparisons of unit costs.—A. Yes, sir. You mean the cost per mile, the cost per locomotive mile?

Q. The unit costs upon which these schedules in Exhibit "H" are based.—A. We understand, sir.

By Hon. Mr. Hugessen:

Q. And you are going to provide that not only for 1930 but for 1937?
Mr. BIGGAR: Yes.

By Mr. Biggar:

Q. Now, next, can we have a statement indicating to what extent the resulting figures of all those estimates—I mean the \$64,000,000 odd—depend merely on the application of the unit costs, and to what extent they depend upon the reduction of passenger car mileage and the reduction of freight car mileage in Exhibits "B" and "C"?—A. And the abandonment of facilities?

Q. We have done with that.—A. That is on the basis of the 5,000 miles I might say, if I may, for the benefit of the railways, perhaps, that in so far as the railways are concerned there have been only two times when large rail abandonment programs have been suggested, and in neither case did they come from the railways in the territories. One occurred in 1918, and the other occurred as a result of the Duff Commission's inquiry.

Q. I think we have disposed here of that assumption.—A. Apart from unit costs you also have facility abandonments. We have not dealt with facility abandonments.

Q. No, and they do not depend on any general assumptions at all, but on special reports with respect to the particular facilities in question, and it is impossible for us to examine those.—A. Yes, sir.

Q. But we can consider the extent to which the \$64,000,000 depends upon the application of C.P.R. unit costs, and can ascertain to what extent it depends upon the reduction in train and car mileage.—A. Yes, sir.

Q. If that could be calculated it would help very much, I think, in concentrating on points the committee is capable of discussing.—A. Yes, sir.

Q. Now, there were some points you wanted to deal with. You have heard the discussion as to how far afield it is desirable to go at this stage when we want to finish at 6 o'clock. There were some other points you wanted to discuss.—A. Yes, sir, there were, but I do not want to take up the time of the committee unnecessarily.

The CHAIRMAN (Hon. Mr. Beaubien): You have thirty-five minutes.

[Mr. W. M. Neal.]

The WITNESS: Thank you, sir.

By Hon. Mr. Dandurand:

Q. Have you a short statement to make?—A. No, sir, I have no statement. It is all in my head.

Q. Are you about through?—A. No, sir. I have had thirty-five minutes allotted to me.

In connection with these line abandonments about which we have heard so much, I have been very much interested because of my personal knowledge of some of these localities, and I thought perhaps I might give you some information that would be of value. Having worked in Northern Ontario and lived in that country, and having discussed the general railway situation so often, it has appeared to me that when it comes to that particular phase of the Canadian railway problem the key-log of the whole situation is to be found there, because in that sparsely settled territory, with its 1,800 miles of line, conditions have changed. If there is any place in Canada in which a permanent change in traffic has occurred, it is there, between the head of the lakes and Sudbury. When those lines were conceived and built, one of the most difficult transportation problems in Canada was the movement of the Western wheat crop during the season of closed navigation. The Canadian Pacific when it operated alone could not handle it, so much so that we had an appropriation for a very large sum of money to double-track from Sudbury to Fort William. Part of that I referred to as having been taken up. Then I remember very well the discussions in connection with the Transcontinental. One of the benefits it would confer upon Canada—and the argument was most convincing—was that it would provide a light grade cheap route from the Prairie Provinces to Quebec. Unfortunately, because of the operations of the Panama Canal and, to a slight extent, the Hudson Bay Railway, and the great increase in elevator capacity at the head of the lakes, the increase in lake transport capacity, the elevator capacity at bay ports and the Atlantic seaboard, the establishment of elevator capacity at Vancouver and the improvement in the mountain routes, that all-rail grain movement has not taken place since January, 1924, and I cannot see how it will ever return.

Now, in that territory one of the first problems of a unified management would be to study and see how we could eliminate unnecessary mileage without hurting public interest. One point which I have not heard discussed by either section of the Joint Co-operative Committee is the possibility of using the Algoma Central and Hudson Bay Railway. The Algoma Central was built by the Clergue interests, and operates from Sault Ste. Marie, connecting with the Canadian Pacific at Franz and the National Transcontinental at Hearst.

Now, when I was General Superintendent on the Canadian Pacific line, even under the very severe operating conditions during the winter time, we moved as many as fifteen freight trains each way per day out of Fort William, handling grain. That was up to January, 1924. At the present time, when navigation has closed, we move three freight trains each way per day—two fast freights and a way freight—and from what I have picked up in more or less casual contact with railway men, I imagine that on the three lines there would probably not be more than eight, or, roughly speaking, half the capacity of the one railway. It is going to be some time, I think, before winter transcontinental traffic will develop 100 per cent; that is why I say that situation there constitutes the key-log of the dam of our excess mileage problem.

This other situation up here, from Kamloops to Vancouver (indicating on map) is very interesting as to one of the reasons why the public, not the railway, keep bringing up the matter of line abandonment. They have brought it up many times. They see this other railroad across the river, with no towns on it, and they want to know why. I have had the same thing asked me about the line between Winnipeg and Portage la Prairie. This is a problem that is also

under discussion by the committee which received instructions from my office—the Joint Co-operative Committee—on the 17th of May. Most of the population, as was pointed out, is on the Canadian Pacific side. There is a bus line there (indicating) which operates straight through from Kamloops to Vancouver, and there is a ferry line here (indicating). When you get out to the coast you hear it said in conversation, and I have heard it here, that there is a necessity of maintaining boat lines for the purpose of national defence. There is a very vulnerable point there (indicating) because there are 100 miles where, if some enemy was going to do damage, it would strike.

By Hon. Mr. Buchanan:

Q. Would you maintain the two lines from Kamloops to Hope, that is on both sides of the river? With regard to that grain movement from Alberta into Vancouver, is that piece from Kamloops to Hope, on both sides of the river, not necessary?—A. That would depend, sir—I would not express an opinion at this stage, because the studies of this most recently appointed committee are not yet completed. It would depend on how much money it would cost to increase the capacity of this Canadian National single track line on the other side of the river. We have had some experience, as I mentioned a moment ago, with regard to east of Fort William, in moving heavy traffic on single track lines under much more adverse weather conditions than we have out here. The principal difficulty out here is with those everlasting hills—they do not stay everlasting. That line west of Hope, of course, is another proposition.

By Hon. Mr. Calder:

Q. What about that situation between Winnipeg and the head of the lakes?—A. There is a different situation there.

Q. There are three lines there?—A. Yes, sir. We have the Canadian Pacific double track line from Winnipeg to Fort William, and the old Canadian Northern from Fort Frances and the National Transcontinental. It will be many a long day before the prairie will be able to grow enough wheat to get anywhere near the capacity of the three lines, taken in conjunction with these other outlets. For example, on our double track line, if the traffic came along as rapidly as we would like to have it, and as regularly—it depends on how the weather is—we could handle some very heavy movements. For instance, on September 30, 1928, we moved east from Winnipeg over the Canadian Pacific double track line, 2,107 loads, which is approximately about 30 trains of wheat.

Q. In one day?—A. In one 24-hour period. And they went without any difficulty at all. And if the traffic kept coming along that way we could keep on moving it that way. In a two-month period, from October to November that year, our average movement east of Winnipeg was about 1,457 loads every 24 hours of the two months. So that there is an excess of capacity there.

By Mr. Biggar:

Q. What is the next point, Mr. Neil?—A. There is another point that was mentioned, sir, and Senator Black said he was going to ask a question about it later, but he has not. That was the possibility of abandoning some of these light traffic branch lines from which the traffic has apparently permanently moved to the highways, or has disappeared. In some cases, where lumber, for instance, is the chief commodity hauled, the line could be turned over to the province and converted into a highway. We did make that sort of arrangement in the province of British Columbia, in connection with a short branch line in the Kettle valley. We turned the roadbeds and bridges over to the province, and they converted it into a highway. I think that is something that could be specially studied. I think there are further opportunities of that kind to be worked out between the provinces and the railway companies.

[Mr. W. M. Neal.]

By Hon. Mr. Buchanan:

Q. What would the sentiment in Western Canada be with respect to monopoly, if unification was brought about? You lived in the West when there was a good deal of monopoly there?—A. Yes, sir, I was out in the West when only one railway was there. I think Sir Edward Beatty referred to that situation very briefly during his presentation to the Committee. The Canadian Pacific was very very unpopular.

Hon. Mr. CALDER: Hear, hear.

The WITNESS: Some honourable gentlemen who are here will recollect that also. That was due not entirely to lack of effort on the part of the railway men, and it was not due entirely, perhaps, to an undesirable attitude on the part of railway men. I know, because I was out checking cars around the yards on western lines in those days. It was due in the first place to the fact that the country grew a little too fast for us. We did not have engines or cars. You will remember, Senator Calder, when the grain used to be dumped in the fields, and we could not get the cars there fast enough. And there was a good deal of dissatisfaction.

Hon. Mr. CALDER: You could not keep the trains on the track.

The WITNESS: And we had water troubles, and about everything that would interfere with efficient movement. When our company got additional money, altogether apart from the railway competition which followed construction of the Canadian Northern, one of the first things it did was to supply us out there with ample locomotives and cars. And from then on the grain rush became rather an interesting time rather than a time of worry. And since then railway methods themselves have improved. I do not want to take up time to go into technical details. But I can say, gentlemen, that we have some revolutionary things in connection with traffic movements which were not thought of in those days. And in addition, the railway officer is not inspired entirely by what his railway competitor may be doing. He has to compete against the traffic itself. The traffic has to be moved and he has to move it. In 1928 when we were moving that record volume of traffic, I never worried for one minute about what the Canadian National were doing; I did not have time. We were moving it freely and efficiently, and it did move without the slightest semblance of congestion, and that was the biggest load that the railways ever had thrown upon them. The men compete, in their daily routine duties, with their own records. For instance, a train despatcher likes to be known as a train despatcher who gets the trains over the roads. If he does not, the men call him a train detainee. Then, besides, we have competition from the northwestern American roads. They are just as keen competitors, and will be, as the Canadian National. We compete with them constantly for passenger traffic and also for international and interstate traffic. So that in so far as monopoly is concerned, I say quite frankly and freely that if I were working for one railway system in Canada I do not know why I or any other railway man in Canada would sit down and relax and not try to be a good railway man any more.

By Hon. Mr. Buchanan:

Q. You would be subject to competition under unification, it has been stated?—A. Yes.

Q. Through highway competition?—A. Yes.

Q. But the farmer out West says that would not affect him, that he would be dependent on the single railroad that might be in existence in Western Canada for moving his grain. He fears that once a unified railway is in existence, there might be a return to the old conditions.—A. I do not think it is possible.

Q. I want to give you an opportunity to comment upon that.—A. I do not think it is possible. You know something about that yourself, Senator, if I may remind you, from your experience in southern Alberta. You do not have com-

petition there. Yet, the people in southern Alberta have no reasonable cause for complaint in connection with movement of grain or anything else, in my opinion.

Q. I will admit that. If unification would work out as well as the single railroad service has worked out in the area that I am acquainted with, I do not think the Canadian people would have very much objection to it. But if unification were extended over the whole country—I am conveying to you not my own fear, but the fear that has been expressed to me—it is feared that the railway system would not be so good if it were under one management throughout the whole of Canada. The opinion about that large area in southern Alberta is that in the past we have been getting, and still are getting, an excellent service, but that this may be due to some extent to the fear by the railway of competition entering there. It is felt that that fear may have stimulated the existing road to give good service.—A. Well, sir, inefficient service is most expensive. For instance, a box car handling grain from Moose Jaw to Fort William, say, might be got down there in six days. It is worth to us, including the empty movement, perhaps \$20 a day. Well, if a man is a faithful and efficient servant and takes any pride in his work, he is not going to change just because he happens to be working for one railroad which is the only railroad in the country. Personally, I am not going to sit down and lose all my interest in the work to which I have devoted all my life; it does not make any difference to me whether there is one railroad or two.

Hon. Mr. BUCHANAN: I want to admit that the experience we have had in southern Alberta, without any competition at all, has been perfectly satisfactory, over that large area.

Hon. Mr. CALDER: On the other hand, though, Senator Buchanan, there is no question that in a very large section of the public mind there is fear of monopoly. My opinion is that in the course of time that would be offset and done away with by the incentive of the railway people to earn money. They can only earn money by giving efficient service.

Hon. Mr. DANDURAND: I draw the attention of my colleagues to the fact that we are taking up the time of the witness, who would like to finish at six o'clock. Unless there is a question—

By Hon. Mr. Parent:

Q. I have one question to put to you, Mr. Neal. It concerns the line from the place near Quebec city, which is called Diamond, to Edmundston or Moncton. I understand there is a recommendation by the Canadian Pacific to have that part of line abandoned, while the Canadian National, through Mr. Fairweather's evidence, stated that for all reasons in the world this line must be kept. And now, is the Canadian Pacific poking its nose into a territory that it has practically nothing to do with, against the view of the Canadian National, which is that this piece of line should remain? Can you explain how the Canadian Pacific has arrived at a decision to recommend abandonment of that line?—A. I must confess that I have not lived in the Maritime Province or that part of Quebec. That is my misfortune, not my fault. But that is another case where if you look at the matter dispassionately you will see there is excess mileage. The railways did not initiate here or anywhere else any large abandonment scheme. They were asked to point out where they thought there was excess mileage, and some officials have pointed out this as an instance—and if I had been there, I would have said it was in order—pointed it out to the Royal Commission.

By Hon. Mr. Calder:

Q. You say the Canadian Pacific never recommended the abandonment?—

A. Did not initiate it, sir; did not initiate the inquiry.

[Mr. W. M. Neal.]

Q. What do you mean?—A. We did not initiate the inquiry. What I say is that neither railway company, to my knowledge, has gone out of itself and initiated a proposal to abandon large railway mileage in Canada. This came about in the form of a response to a request, or order, if you will, sir, from the Duff Commission.

By Mr. Calder:

Q. They asked you to indicate where there was extra mileage that might be abandoned: is that what you mean?—A. Yes, sir.

Q. Simply to indicate where there was excess mileage, some of which might be abandoned?—A. And that was shown on this confidential map which Mr. Flintoft referred to yesterday. I might say in regard to this line of ours down there (indicating on map) that I think the impression was left with the committee that that line could not be used in time of war, and that it was not used in 1914. As a matter of fact that line was used to full capacity from the outbreak of the war until the United States came in. The only things we could not move through there at that time were soldiers and arms.

By Hon. Mr. Murdock:

Q. But the United States did not have a neutrality law in effect then?—A. I think if you will inquire, Senator Murdock, you will find this is not far off, that anything beyond that can be exported from the United States to any other country in time of war under their neutrality law can also be moved over this line in Maine.

By Hon. Mr. Dandurand:

Q. If you have anything of importance you had better come to it.—A. There is one other point I should mention, and that is what is referred to in connection with the service performed by the line from Edmundston to Quebec in the way of handling traffic at very low cost. That is not peculiar to any railway company in Canada.

By Hon. Mr. Robinson:

Q. Do you mean moving that coal from Cape Breton?—A. Yes, sir. As you know, Senator Buchanan, in the West we have a similar movement. After I heard that I was curious to know what had been done in the West. Both the Canadian National and ourselves move a lot of traffic of that kind. We have moved, for instance, 30,749 cars this year of relief hay and fodder and 2,389 cars of seed. We do not like to boast of our good deeds when done in the national service, but the point was made that it was being performed at such a low rate.

By Hon. Mr. Hugessen:

Q. The point was that it could be moved at this low rate because of the low grade.—A. But not economically.

By Mr. Biggar:

Q. There is another point, Mr. Neal?—A. There is one suggestion I should like to make, sir, in connection with the labour feature of unification, and that is the existence of this Canadian Labour Board of Adjustment, which my friend, Senator Murdock, knows all about, because we worked together on it at the time of its formation. That is constituted of six railway organization vice-presidents and six railway company vice-presidents. It is probably the most successful organization of its kind in the world. It has been functioning for over twenty years, has handled many hundreds of cases, and never issued anything but a unanimous decision.

Right Hon. Mr. MEIGHEN: Good.

The WITNESS: That body, or some such body, seems admirably fitted, in the event of unification if something had to be done, to smooth out by way of adjustment the relationship between the railway companies on the one hand and the employees on the other.

By Hon. Mr. Calder:

Q. In connection with that we get such a statement as this, for example. You effect economies, as a result a man is out of a job and is not taken care of. What would be your statement in reply to that?—A. There are individual cases, sir, and then there is the case of labour as a whole. I think Sir Edward Beatty referred to that. I think it was demonstrated that enormous attrition takes place. In fact, as I recollect, that attrition was at a greater rate than would be the reductions in staff on account of unification. I quite know from my years of association with labour that there will be cases where a man will be laid off in Ottawa, and he cannot jump to Winnipeg to get a job. So you are going to have that man out of a job.

Q. What are you going to do about it?—A. You will have to pay him furlough allowance, as is done in the United States. Or you might make an agreement with the labour organizations for a limited period; as well as the mileage seniority lists, you might extend the promotion districts.

Q. Who would decide that?—A. That would be decided by negotiation between the representatives of the railway companies and of the employees, either in a special body such as the Canadian Railway Board Adjustment, to which I referred—

By Hon. Mr. Murdock:

Q. Would not your biggest trouble be in co-ordinating the promotion districts as between the two roads?—A. You know that usually is a very difficult problem in the present contacts of the Canadian National Railway system. It is one of those conferences where you have to sit down in an impartial state of mind.

By Hon. Mr. Calder:

Q. We have had that situation before us, that there will be a great disturbance of labour and thousands of people will be thrown out of work, and will not be taken care of. That feature of the situation has been put before us several times.

By Hon. Mr. Dandurand:

Q. Mr. Neal, have you some other point to submit?—A. I will just answer Senator Calder's question, if I may. There are some other points, but they are not vital. This matter has been very carefully studied, and I think the statement made by Sir Edward Beatty is very much to the point, and describes exactly what will take place. I do not know that I could add very much to it.

Now my friend—if I may presume to use that term towards Senator Murdock, whom I have known for many years—said something yesterday which, in the best of good humour, I must refute. The statement was this: "Now, please do not give me at this time of life any buncombe about employers, who are looking out for the almighty dollar, protecting the rights of employees that they are going to unload in that way. I am too old at the game to swallow any such statement," and so on.

Hon. Mr. MURDOCK: I had in mind other people besides you.

The WITNESS: I would just like to close by referring to the policy that govern the Canadian Pacific officers in dealing with the employees of the system—and we were all employees at one time—as a matter of fair play. I remember

[Mr. W. M. Neal.]

very well the late Lord Shaughnessy saying to me in one of the last conversations I had with him, that in his opinion the most valuable asset the Canadian Pacific had was the loyalty of its employees, and nothing must ever be allowed to interfere with that. That forms the basis of the relations of the Canadian Pacific with its officers and employees, and I know the employees' representatives will agree with me when I say that at no time have those relations ever been better than they are at the present time. That condition could not exist if the men distrusted the statement made by the head of the company.

By Hon. Mr. Buchanan:

Q. To what branches of the service does superannuation extend?—A. All branches of the service.

Q. Have you any fixed age for retirement?—A. Sixty-five. There are odd cases where employees may continue, but 65 is the normal age.

By Mr. Biggar:

Q. Does that cover the ground fully?—A. Yes, sir.

Mr. BIGGAR: The memorandum with regard to the telegraph agreement that Mr. Howard was to speak to will be Exhibit No. 79.

Hon. Mr. DANDURAND: The Canadian Pacific Railway evidence is about closed, but I want to say there is a very important point which has not been elicited, and to which I want to draw the attention of Sir Edward Beatty. I will read this statement, which is addressed to Sir Edward Beatty:—

Leaving aside for the moment any question as to the advisability of handing over to private management our National Railway system, I desire to have from Sir Edward Beatty certain information which I deem essential to a proper consideration of his unification proposals.

In the course of the debate on the railway problem in the Senate recently I had occasion to say that the country would be interested in knowing exactly what assets the Canadian Pacific Railway intended to bring into the scheme of unification, and what share it would claim of the net operating revenue or profits.

These points are of utmost importance because it must be remembered that the Government would be making the greater contribution from the property or investment standpoint and that it would also be placing its resources of credit behind any agreed plan of unification with all that such protection implies to Canadian Pacific property and securities. Therefore the Government is entitled to be given the fullest possible information with respect to the unification proposals.

I stated in the course of the Senate debate on the railway issue that I understood that the Canadian Pacific had made certain suggestions to the Duff Commission with respect to the division of net income under unification whereby a preference was indicated for the interest charges and dividends on the preferred stock of that company, its common stock sharing a division of the net income with the interest obligations of the Canadian National.

Sir Edward Beatty has declined to disclose to this committee the basis of his suggestions to the Duff Commission as to the possible division of joint net, but now suggests as the third of the fundamental points, "that each group of owners should continue to receive under unification the net earnings which past experience indicates their company would have received as an independent institution, and that the additional net earnings made available by unification be shared between them on an equitable basis. I assume that the Government would directly receive at

least half of these savings. These details, of course, could only be determined at the time of the formal contract."

That statement is very obscure indeed. It says that under unification each group of owners is to continue to receive the net earnings which past experience indicates the company would have received as an independent institution. That premise implies a formula and requires explanation. What, for instance, is meant by "past experience"? The net earnings over a period of years in the past? If so, what period is to be taken, and what proportion is each railway to receive, and in what order of ranking?

Assuming that the foregoing will constitute the first apportionment there is apparently indicated a further division, that of additional net earnings made available by unification, these to be shared on an equitable basis. Is it this secondary distribution to which Sir Edward refers when he states that he assumes the Government would directly receive at least half of these savings? If so, how are these to be ascertained and dealt with?

Unification will involve substantial capital expenditures to bring the two properties into common operation because it must be remembered that the two systems have been constructed to compete with one another. There will also be new financing required from time to time. Sir Edward Beatty states that this can be done on the joint guarantee of the Canadian Pacific and the Canadian Government. But another aspect of the problem has not been touched upon by Sir Edward. He has informed the committee that he is convinced that no guarantee of interest on the debenture stock and bonds of the Canadian Pacific will be necessary, but if, through circumstances and conditions not immediately apparent but conceivably possible, it should happen that the Canadian Pacific required the guarantee of the Government for refunding or new capital outlays what security would that company offer for the protection afforded by the Federal treasury? Is it ready to pledge all of its present assets to that effect? It will be inevitable under the partnership proposal that will be necessary under unification that Government credit be brought to the support of the whole of such financing, and we are therefore entitled to know what security against such responsibility the company is prepared to pledge with the Government.

Sir Edward Beatty has stated his willingness to discuss the terms of an agreement regarding unification with either the Canadian National or the Government in due course. Meanwhile he asks this committee to endorse his plan in principle, leaving the details for the formal contract. That procedure might be possible as between two private corporations but when Parliament, or a branch thereof, is asked to offer advice to its executive it cannot be expected to do so without having all the essential elements of the proposed agreement at its disposal. That is why I believe Sir Edward Beatty owes it to his company and to this committee to lay unreservedly before us the full terms of his proposal. He knows what they are; this committee does not.

I make this statement because I believe it is timely, and will allow Sir Edward to ponder over the problem as I put it to him, and to give us an answer.

The CHAIRMAN (Hon. Mr. Beaubien): Half-past ten on Tuesday?

Hon. Mr. DANDURAND: We will adjourn sine die, because, frankly, I believe it will take the best part of next week to dispose of our other committee work, and I doubt the advisability of calling this committee before the end of the week. I am furthermore informed that the delay will help the Canadian National experts to contract their evidence.

[Mr. W. M. Neal.]

Right Hon. Mr. MEIGHEN: Assuming that Sir Edward Beatty makes a statement in reply to the request of the leader of the Government, are we to anticipate that the C.N.R. will want another week after that to answer that statement?

Hon. Mr. DANDURAND: Oh, no. I will leave it at that.

The CHAIRMAN (Hon. Mr. Beaubien): There must be some of the Canadian National people ready to go on as soon as we can sit, on Wednesday, Thursday or Friday.

Hon. Mr. DANDURAND: If you take three days out of the week, what is the use of starting the work of the committee on Thursday?

The CHAIRMAN (Hon. Mr. Beaubien): Except that we have very little time left. If this committee meets at the call of the Chair, surely there ought to be a few of the Canadian National witnesses ready.

Hon. Mr. DANDURAND: We will discuss that when we are through with the other committees.

The committee adjourned, to meet at the call of the Chair.

EXHIBIT No. 71

(See also Exhibit No. 79)

Report of Joint Committee Appointed to Investigate Possibilities of Economy
Arising out of either Amalgamation or Co-ordination of the
Canadian Pacific Telegraphs and Canadian

National Telegraphs.

The Committee appointed by the respective heads of the two Telegraph Systems consisted of the following:

Canadian Pacific Telegraphs

D. L. Howard,
Assistant to General Manager,
Montreal.
W. M. Thompson,
Assistant Manager,
Winnipeg.
F. B. Coles,
Carrier & Telephone Engineer,
Montreal.

Canadian National Telegraphs

R. B. Steele,
Transmission Engineer,
Toronto.
C. C. Stewart,
Traffic & Operating Assistant,
Winnipeg.
J. R. White,
Supervisor of Budgetary Control,
Toronto.

The instructions received by the committee were "To make an economic study to show the results to be obtained by (1) Amalgamating the two telegraph systems; (2) Co-ordinating the two telegraph systems."

Meetings began at the Place Viger Hotel in Montreal on January 23, 1932, and continued until January 27th. The committee reconvened at the Royal York Hotel in Toronto on January 30, and meetings have been held continuously since that date.

It was agreed that the problem should be studied under the following general headings:—

1. Branch and Independent Commercial Offices.
2. Functional or Main Offices.
3. Maintenance of Plant.
4. Supervision and General Expenses.
5. All Other Operating Expenses.

It was agreed that these studies should be made on the basis of operating results over a period of one year, and for this purpose the year 1932 was selected.

From detailed information made available to the joint committee by the respective representatives, the operations of the two systems were analyzed, and the possible economies under both plans were then deducted under each of the above divisions.

The general principles agreed upon for determining the economies possible under the two plans based on 1932 operations were as follows, subject to certain adjustments suggested by the Canadian National representatives and which are referred to in detail later in the report:

Under Amalgamation.—That the extent of possible economies should be arrived at by comparing the actual cost of handling 1932 traffic competitively with the estimated cost of handling the combined traffic of both systems by a single independent organization.

Under Amalgamation.—That the extent of possible economies should be ascertained by comparing the actual cost of handling 1932 traffic competitively with the estimated cost of handling the total traffic of both systems by joint

employees, assuming co-ordination of such offices and plant facilities as might reasonably be operated jointly without sacrifice of convenience and efficiency in operation and without undue detriment to the interests of either system or both.

The costs of amalgamation and co-ordination were estimated jointly on the basis of plant requirements, changes, and rearrangements necessary to meet the conditions of operation under the two plans outlined above. It is felt that the new money required to effect amalgamation or co-ordination should be translated to an annual expense to take care of interest charges and amortization of the principal over a twenty-year period.

Fundamental considerations involved in the study under the various headings are outlined briefly hereunder:—

Branch and Independent Commercial Offices

Amalgamation.—The result of the survey of branch and independent offices indicated that had the two companies been operated as one during the year 1932, the reduction in operating expenses would have been approximately \$274,000. To obtain this saving it would have been necessary to expend an amount estimated to be \$85,000 for the removal or transfer of facilities which amortized amounts to \$8,500 per annum. Amalgamation could be effected within one year.

Co-ordination.—It was estimated that under co-ordination, each company maintaining its separate identity, an economy of \$115,000 could have been achieved. The expense involved is estimated at \$50,000 which amortized amounts to \$5,000 per annum. It is considered that this co-ordination could be effected within one year.

No consideration was given to the possible co-ordination of offices jointly occupied or operated with the passenger and express departments. When the joint committees of the railways have decided upon their policies in respect to such offices, it will then be necessary to give further consideration to telegraph interests. It is estimated that a substantial additional saving could be effected.

Functional or Main Offices

Amalgamation.—Detailed information with respect to traffic and operating expenses for the year 1932 was submitted by both Companies for all functional offices. A careful survey was made from both technical and operating viewpoints. The expenses were analysed under six main headings, viz., supervision, operators' wages, clerical wages, messenger service, office rentals, and miscellaneous expenses.

This survey indicates that had the telegraph systems been amalgamated in 1932, the economy to the combined operations insofar as functional offices are concerned would have been approximately \$565,000. The expense involved in achieving this result would amount to approximately \$930,000, which amortized would amount to \$93,000 per annum. It is considered that this amalgamation could be effected within five years.

Co-ordination.—The co-ordination of functional or main offices, either in whole or in part, was carefully considered by the committee. Under complete co-ordination, it was recognized that dual control would be unsatisfactory, and, therefore, a separate organization would be required to handle the traffic. As this organization would control 80 per cent of the activities of both companies, the result would be virtual amalgamation, and would probably result in the elimination of competitive effort.

Partial co-ordination to the extent of consolidating trunk traffic only in the main office of one company at each functional point also presents some objectionable features. One of the principal objections is the fact that

trunk traffic of one company would have to be carried by pneumatic tube to the operating room of the other company, imposing some delay and thereby placing a handicap on one company at each point. This delay might amount to as much as three minutes between some of the offices concerned.

Providing this form of partial co-ordination is adopted, a saving of \$95,000 per annum might be effected. The cost of co-ordination under this scheme is estimated to be \$196,000 on which the interest and other charges would amount to \$19,600 per annum. It is considered that this co-ordination could be effected within three years.

3. *Maintenance of Plant*

As a result of the amalgamation or consolidation of telegraph offices as well as the re-arrangement of outside plant, there will be a reduction in the physical plant of the two systems and consequently a reduction in maintenance costs and wire privileges, based on 1932 expenses.

Amalgamation.—Under an amalgamation scheme it is estimated that the reduction in plant maintenance would be approximately \$75,000 per annum.

Co-ordination.—Through co-ordination of facilities, it is estimated that a reduction of \$10,000 per annum would accrue to the two companies.

4. *Supervision and General Expenses*

The problem to be considered here was the economy which could be made in general overhead expenses by the consolidation of the supervisory organization of the two departments.

At the present time, the organization of the Canadian Pacific Telegraph consists of two grand geographical divisions—Eastern Lines and Western Lines each under an Assistant Manager reporting to the General Manager. The Assistant Managers' territories are further subdivided into districts each in charge of a Superintendent, numbering eight in all.

The Canadian National is similarly divided into two grand divisions generally coinciding with the Canadian Pacific, each under a General Superintendent reporting to the Assistant Vice-President in charge of Telegraphs. Each of these grand divisions is further subdivided into districts, under the jurisdiction of a Superintendent, and numbering five in all.

Amalgamation.—An amalgamation scheme would require only one head which would result in a economy, through the abolition of one of the present duplicate positions, estimated to be approximately \$40,000 based on 1932 expenses. It may be necessary, however, for the amalgamated company to make provision for separate purchasing, stores, medical, legal services, etc., which might result in additional expense, over that now being paid to the railways by the telegraph departments for these services, and reduce the economies indicated above.

Under a scheme of amalgamation, it would be possible to abolish the position of one Assistant Manager or General Superintendent, and five Superintendents' positions. The economy of such a policy, including the abolition of office staffs based on 1932 operating results, would amount to approximately \$57,000.

Co-ordination. It is considered that no economy could be made in supervisory staff under a co-ordination scheme.

Summary of Results of the Survey

The following tables summarize the economies of amalgamation and co-ordination arrived at by the Joint Committee based on the operating results of the year 1932. These tables do not include certain adjustments suggested by the Canadian National representatives. The total reported operating expenses of both companies for the year 1932 are also indicated:—

AMALGAMATION

Group	Estimated Gross Annual Economy based on operating expenses for year 1932	Combined operating expenses of C.P. & C.N. Telegraphs, year 1932	Per Cent Gross Economy of total operating expenses
1. Branch and Independent Commercial Offices.. . . .	\$ 274,000	\$1,423,509	19.24
2. Functional or Main Offices.. . . .	565,000	4,230,826	13.35
3. Maintenance of Plant.. . . .	75,000	1,709,032	4.38
4. Supervision and General Expenses.. . . .	97,000	494,573	19.61
5. All other Operating Expenses.. . . .	Nil	399,016	....
Total.. . . .	\$1,011,000	\$8,256,956	12.24
Interest and other charges on cost of amalgamation.. . . .	\$101,500		

CO-ORDINATION

1. Branch and Independent Commercial Offices.. . . .	\$ 115,000	\$1,423,509	8.21
2. Functional or Main Offices.. . . .	95,000	4,230,826	2.24
3. Maintenance of Plant.. . . .	10,000	1,709,032	.59
4. Supervision and General Expenses.. . . .	Nil	494,573	....
5. All Other Operating Expenses.. . . .	Nil	399,016	....
Total.. . . .	\$220,000	\$8,256,956	2.66
Interest and other charges on cost of co-ordination.. . . .	\$24,600		

Adjustments Suggested by the Canadian National:

The Canadian National representatives suggested that certain adjustments to the above-mentioned figures were absolutely essential in order to arrive at the present possibilities of actual cash savings to the parent companies. The adjustments suggested are as follows:—

1. In arriving at the economy under an amalgamation scheme or through co-ordination, credit has been taken in the saving to the telegraphs, for rentals now paid to the parent companies. The Canadian National representatives considered that this item which amounts to \$86,000 under amalgamation and \$31,000 under co-ordination, is not an actual cash saving, being of highly intangible nature.
2. The economies set up in the aforementioned figures are based upon the operating expenses for the year 1932. During the year progressive permanent reductions were made in expenses, particularly in regard to rates of pay, office rents, etc. Under a scheme of amalgamation these savings, made by the Canadian National, which are included in the amalgamation economies, to the extent of \$38,000, could not be made and the economies set out above should be reduced accordingly. Under co-ordination a corresponding deduction of \$13,000 should be made.
3. In giving consideration to the co-ordination of branch and independent commercial offices no reduction in expense was included at a number of points where the commercial telegraph departments of both companies occupy joint offices with the railway passenger and express departments. If, under a general scheme of railway co-ordination, joint offices were decided upon at these points, a further economy to the telegraphs through co-ordination, of \$65,000 per annum, would be possible.

In making this report it is not the intention of the joint committee to arrive at a conclusion in regard to the policy of amalgamation or of co-ordination but simply to set out the factual background of the possible results under either of the two schemes.

SPECIAL COMMITTEE

Respectfully submitted,

Canadian Pacific Telegraphs

(Sgd.) D. L. HOWARD

(Sgd.) W. M. THOMPSON

(Sgd.) F. B. COLES

Canadian National Telegraphs

(Sgd.) R. B. STEELE

(Sgd.) C. C. STEWART

(Sgd.) J. R. WHITE

TORONTO, ONTARIO, February 27, 1933.

EXHIBIT No. 72

Minutes of Joint meeting of Express Committee of C.P. and C.N. Ry.
March 1, 1935. (Not printed.)

EXHIBIT No. 73

ADDRESS BY SIR WILLIAM WOOD, VICE-PRESIDENT OF THE LONDON, MIDLAND AND SCOTTISH RAILWAY, IN OCTOBER, 1933, ON THE SUBJECT OF THE OPERATION OF THE UNITED KINGDOM RAILWAYS GROUPING SYSTEM

OFFICE OF THE HIGH COMMISSIONER FOR THE
UNITED KINGDOM

EARNSCLIFFE, OTTAWA,

9th May, 1938.

764A/5.

DEAR MR. YATES,—With reference to my letter of the 2nd of May (764A/3) I now send you herewith a copy of the address given by Mr. W. V. (now Sir William) Wood, Vice-President of the London, Midland and Scottish Railway in October, 1933, on the subject of the operation of the United Kingdom railways grouping system, which has been forwarded to us from London for the information of the Special Committee of the Senate now examining the railway problem in Canada.

The High Commissioner feels sure that it will be understood that the views expressed in the address which, as you will see, was given to the Railway Students' Association at the London School of Economics, were the author's own and that the Governmental authorities in London could not technically be held responsible for them. Sir Francis Floud understands, however, that Sir William Wood, in addition to the high position which he occupies in relation to one of the principal railway companies in the United Kingdom, is a leading authority on railway finance.

It has also been suggested by the authorities in London that the Committee may care to refer to the final report of the Royal Commission on Transport (Command 3751) issued in London in 1931, and in particular to paragraphs 4160 of that Report, copies of which will no doubt be available in your Department.

The High Commissioner hopes that the information contained in the enclosure will be of assistance, but if the Committee desire more detailed information or information of a different kind, he will be at all times only too glad to do anything which he can to help to try and procure it.

Yours sincerely,

STEPHEN L. HOLMES.

G. W. YATES, Esq.,
Assistant Deputy Minister,
Department of Transport,
Ottawa.

RAILWAY STUDENTS' ASSOCIATION

LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE
(UNIVERSITY OF LONDON)

THE RAILWAYS ACT, 1921—TEN YEARS AFTER

PRESIDENTIAL ADDRESS BY MR. W. V. WOOD

Vice-President London, Midland and Scottish Railway

The Railways Act of 1921 had three main purposes:—

- (1) The return to their owners of the railway undertakings which had been in Government possession since the outbreak of war in 1914;
- (2) The amalgamation into four groups of the whole of the British Railway system, other than certain London passenger lines and a few light railways;
- (3) The creation of a new system of rates and charges, governed by a standard or maximum profit for each of the four amalgamated companies, in place of the previous system of maximum charging powers.

The amalgamations, as regards transfer of ownership, were completed in 1923, and this evening I wish to review, after ten years have elapsed, the amalgamation policy and its results.

THE AMALGAMATION SCHEME OF 1921

Parliament specified the actual amalgamations it required, and reshuffled 60 separate companies into four lots, to form the four main line companies as we now know them. The selected grouping was not on an industrial or traffic basis, which would have necessitated dividing some of the old companies into two or more parts, but was on a rough geographical basis which resulted in four unequal groups, overlapping at many places. The reasons for this included not only the financial difficulty of severing a railway company into parts, but also the difficulty of settling where the knife should be applied and to whom, and the peculiarities of London passenger traffic which were dealt with after prolonged discussions in 1933.

The details of the reshuffle aroused much controversy in 1920 and 1921, but whether the number of groups should then have been four or more or less, and whether the constituents of each should have been different, are not matters which arouse much interest now.

It has, however, recently been suggested that four groups are now too many. I do not share that view and, in fact, think that the original scheme of the Government, which contemplated six groups, would have created a healthier situation and not screened the harmful effects of the post-war uneconomic conditions. I will refer to later, which were forced on the railway industry. I do not suggest a reversal of the four group policy by an increase of the number now, but I think it premature to discuss further amalgamations, if one has in mind economic and not political considerations, at least until the processes of internal consolidation and inter-group co-ordination have been completed.

In the latter process the pooling agreements recently made will play a large part. I merely mention them in passing, because there is not yet sufficient experience to consider their results in detail. Pooling in itself will effect only small clerical economies and the real savings will be secured by changes in traffic and other operations which can only gradually be effected.

INTERNAL RE-ARRANGEMENTS

Amalgamation of ownership of a number of companies is not a very difficult operation, particularly when it is quickened by the compulsion of an Act of Parliament, but fusion of the various parts and their various standards and traditions into a single organization with one motive is a more difficult process and a railway fusion presents typical problems because of its rigid physical properties and its widespread area. The nature of a railway business, with its almost universal public contacts, and the need for equality of treatment of its patrons, alone made it desirable that there should be real fusion, rather than mere unity of ownership at the top with a series of subsidiary companies each a self-contained unit, although that alternative system is common in modern industry and is often preferable.

Whilst, in 1921, the amalgamation scheme was truly regarded, from the National standpoint, as the principal feature of the Act, Parliament did not attempt to indicate what each group should do to effect more than mere unity of ownership, beyond a general requirement of efficiency and economy in working and management.

Amalgamation of ownership handed over to each new company a number of distinct entities, each with traditions, practices and methods which, when presenting little difference to the public, were often radically at variance. Such visible things as locomotive and vehicle design, signalling, or brake types and obvious matters which required attention, but were hardly as important as the need to create a new and unified system of administration. Fusion could not perpetuate all the varying traditions of the staffs of the old companies and naturally disturbed those who had long experience of them and knowledge of their history. The Great Western Railway Company were least affected by the process, as in their case grouping merely meant absorption of other small companies into their existing system, but even they had their difficulties to meet.

While this change was taking place, it must be remembered that the day to day business of the companies had to be carried on; the ravages of wartime postponement of work had to be overcome, and the new requirements of the Railways Act for rate charging purposes had to be met. Further, the years following amalgamation were years of great economic disturbance, with the attendant effects on the trade of the country; and immediately before amalgamation and since, railway transport, bound at almost every point by public regulation, was subject to fierce unregulated road competition lavishly subsidized out of public funds.

It is little wonder that the combination of these circumstances prevented complete concentration on each company's plans for fusion.

RESULTANT ECONOMIES

Although ten years have elapsed since the amalgamations took place, it is, I think, too soon to express an opinion on their ultimate effect, partly because some of the disturbing factors I have mentioned still exist, partly because many of the steps to effect fusion can only be taken or completed as individuals retire or as assets require to be withdrawn, and partly because many new arrangements and works fructify only gradually.

The ten year interval is, however, a convenient stage for the consideration of the measures which fusion has permitted and their effect.

There are certain fairly obvious consequences which almost automatically follow amalgamation of company organizations, such as those due to concentration of the Boards of Directors, the Secretariat, the General Management, and the Accounting work. These concentrations were arranged almost immediately after the creation of the Amalgamated Companies in 1923, but the arrangements for the staff displaced prevented the advantages being immediately realized and the full effect will not be felt for a generation.

In the circumstances of 1921, even earlier economies than these had been effected indirectly. During the period of Government possession, when the railways were largely operated as one unit, many arrangements were made for the routing of traffic and common use of equipment and facilities which were not discontinued when Government possession ceased, because the companies concerned then knew their future relationships. Not only were such arrangements continued but there were also informal partnerships, in anticipation of amalgamation, which resulted in substantial savings of a permanent nature.

When we pass from the more obvious central re-arrangements, which I have described as almost automatic results of amalgamation, to those economical steps which amalgamation permitted, isolation of them becomes difficult. I classify them, roughly, as:—

First: Those which, by ordinary exercise of common sense, were a gradual consequence of the fusion of ownership and involved no important new expenditure;

Second: Those which such fusion permitted, provided the new company had the necessary capital resources and these were prudently used;

Third: Those which followed fusion and were rendered possible by the research and cost-finding which only a large organization could undertake on a wide scale, and

Fourth: A negative class; those which were due to the inherent disadvantages of large organizations in their public contacts, and the levelling up of equipment and staff conditions of the weaker companies.

Before considering these more fully, I should mention a class I ignore for his purpose—the economies due to the ordinary advance of human knowledge—because I assume they would have accrued without amalgamation, though perhaps to a smaller extent in the smaller and poorer companies.

ILLUSTRATIONS OF NEW ARRANGEMENTS

In the first class I include the gradual unification of previously distinct offices and staffs at stations and agencies; the availability over the whole system, where physically possible, of rolling stock previously used in one area and the consequent reduction of stock required; the fusion of stores purchasing and storage arrangements; and common advertising and stationery arrangements.

In the second class, I include arrangements to secure economies of the same nature as those in the first class, but rendered possible only by substantial new expenditure. The amalgamation of two previously rival steamship services, requiring the construction of new and larger vessels and shore equipment for the combined work, is an illustration of this class. Another is the adoption of one type of continuous brake instead of two, and a third is the improvement of track, bridges and other works to increase the availability of rolling stock.

RESEARCH AND COST-FINDING

The third class is less obvious and far from automatic. It arises partly from original scientific research and partly from the scientific assembly and analysis of physical data previously scattered or not recorded, because of their limited field. I do not mean the ordinary matters which force themselves on the notice of any intelligent observer, such as the effect of spray on the paint-work on one side of a passenger train regularly using a line close to the sea, or the effect of chemical fumes or a severe curve on rail life. These and their cures are normal railway problems of a different order to research into, say, the suitability of a paint or steel under normal conditions. A mere examination of the lives of two competing paints will not suffice; even if both have a like groundwork and identical exposure to rain, frost and sun, care must be taken to ensure that the paints are applied to surfaces with like dryness or one will perish more quickly under the rays of the sun, or their artificial equivalent in the laboratory. Even then the investigator is not finished. Having found the comparative merits are as 12:10, he endeavours to find why there is this difference and having done so may take the best parts of each and produce a new one equal to, say, 14.

Far-fetched, you may say, but there are few lightning discoveries, and progress almost invariably comes from the close sifting of data, in regard to one detail, carefully collected and observed to ensure uniformity. The result of a laborious study may be negative but not useless, as the gradual accumulation of such results creates the material for wider studies. With the field presented by a large railway using nearly every product of civilization, such methods, whether applied alone or in conjunction with other users or research associations, are invaluable.

I have been speaking so far of physical research, but exactly the same principles apply to cost-finding, although the facts are often more elusive, because of the varied values of labour, whether expressed in man hours or sterling.

Costing arrangements in the analysis of units of manufacturing and repairing processes, in the various works brought under one ownership, were one of the earliest amalgamation steps, but before they could be applied common standards with common meanings were necessary. Shops in different parts of the country had different traditions and methods and even different languages, which had to be standardized before truly comparable results were obtainable.

One illustration will explain this. I found that at each of our four chief locomotive shops, a locomotive boiler meant a different thing. There was a common element in each, but when it came to the connection between it and the locomotive as a whole, there were four different boundaries. Further, in the accounting steps to arrive at the total cost of a "boiler" there were four different methods of arriving at such overhead costs as timekeepers' wages, use of machines, interest and local rates. Obviously all these matters had to be brought to common standards before comparisons could be made between the costs of shops A, B, C & D, and the prices of Mr. "X," an outsider builder anxious to sell his wares.

Costing arrangements of a uniform meaning produced not merely interesting records, but effective data which broken up indicated where the differences arose and how they could be overcome, with the frequent result that even the lowest total cost was reduced because some of its parts were greater than the like parts of the greatest total cost; in fact the same result as in the paint illustration I gave you.

All this took time, but combined with the concentrations of work of like nature and the "progressing" of work through the shops, facilitated by the existence of large numbers of units of a similar type, these arrangements have had a marked effect not only in reducing working expenses but also in reducing the quantity of capital employed in rolling stock.

While costing of manufacturers and repairs is the most important of these arrangements, similar work under various names plays a large part in the control of operating expenditure of all descriptions, and has been developed in many new forms.

DISADVANTAGES OF LARGE ORGANIZATIONS

The fourth and negative class includes the disadvantages of concentration and is the greatest risk run in creating large scale horizontal amalgamations. Small units have a direct advantage over large units in local contracts, as most of the commercial staff of a small unit are likely to remain in a restricted area for a lengthy period in which they obtain a very close knowledge of local affairs and individuals, and in addition small units have local settlements of local questions. With large units this is less probable, as with a larger area of promotion not only is long service in one place less likely, but the local agent may be responsible to a senior much further away and mainly known through correspondence. It is conditions such as these which breed the disease of circumlocution and its symptom of red tape, and as far as possible they should be obviated by decentralization of functions; inside definite headquarters standards; and the provision of ample telephone facilities for consultation and quick decisions. Much has been done in these directions, but finality has not been reached and constant vigilance will always be required to ensure maximum local contact and minimum correspondence and bureaucratic methods, without interfering unduly with the need for central control. The public properly expect some reasonable uniformity of action by a company's agent in wide apart areas and this involves considerable centralization. While there has been, and is, I think, some loss due to concentration, it is small compared with the gains from the changes which gave rise to it.

The other negative result is the additional expenditure due to the levelling up of equipment standards and staff conditions.

Improvements in rolling stock of all types on the poorly equipped lines are the most noticeable of the equipment changes due to this process, and although these were often effected by the transfer of middle-aged stock from the better equipped lines, this was not always practicable and substantial amounts of new expenditure were necessary.

Staff conditions in the usual sense—rates of wages, hours of labour, etc.—had been revised on a national basis during the period of government possession, and the further changes following amalgamation were unimportant. This pre-amalgamation change was, in fact, one of several burdens which the poorer companies could not have carried if amalgamation, or other legislation with a like effect, had not been enacted. This was recognized by trading interest when the government plans of 1921 were under consideration, and it was then urged that in the interests of trade the poorer companies should not be left to take their chance. The result has, however, been to make the difficulties of the amalgamated companies greater than they otherwise would have been in the exceptional economic conditions of recent years. Had these conditions been foreseen in 1920 and 1921, I doubt if the Amalgamation Act would have been as we know it, but the then government probably anticipated a period of prosperity which would have enabled the amalgamated companies to earn their maximum net revenue, despite the drag of the weak parts. This, however, is a digression.

The remaining negative factor is the extra staff cost due to pension and other arrangements over and above salary and wages payments. The actuarial disturbances in these arrangements which followed the great increases in the rates of remuneration, threw a heavy burden on the railway companies, and this was increased in many cases by the levelling up of retirement conditions, mainly at the expense of the railway companies. This burden was met in part out of reserves and in part out of working expenses, but the long-term effect is the same in each case.

REDUCTIONS IN WORKING EXPENDITURE

I do not propose to burden you with further details of these consequences of fusion. Over a number of years very full descriptions of them have been given in evidence before the Railway Rates Tribunal, and I shall not attempt to estimate their net effect. To disentangle them from the economies which would have accrued in any event and the reductions in working expenses, due to price levels and less traffic, is extremely difficult, if not impossible, in many cases, and while large specific cases have been isolated, totals are impracticable. Overall figures are of course available and they are most striking. The working expenses of the four companies (or their constituents before amalgamation) fell between 1920 and 1922 by £61,000,000, and obviously by far the larger part of this was due to the abnormal maintenance work and "peak" prices of 1920. Between 1922 and 1932 there was a further reduction in working expenses of £49,000,000, and in this period by far the larger part was due to economies, though not solely to those resulting from amalgamation. When I add that the total of the working expenses in 1932 was £141,000,000 the reduction is striking. One further figure illustrates the position; the expenditure in 1922 was £29,000,000 greater than the gross receipts in 1932.

With the preponderance of the item of labour in railway expenditure this great and necessary reduction in expenditure was mainly effected by reductions in the number of staff employed, but even so, salaries and wages in 1932 represented a higher proportion of receipts than in any other year.

I must set against these reductions one factor which is often overlooked. During the ten years some £200,000,000 was expended by the four companies on major reconstructions and additions, partly to make good accrued wastage and partly to effect the economies which I have mentioned, and the additional element in this expenditure represents an addition to costs because of the necessary withdrawal of interest earning funds or the issue of new capital. Interest on capital outlay on railway lines is a large ingredient in the costs of a privately owned railway undertaking, and this is a factor often disregarded in comparisons between British and State-aided or State-owned railways, or between railways and roadways.

IMPROVEMENTS IN EQUIPMENT AND WORKING

Largely because of this outlay the railway companies' plant, equipment and services have attained a higher level of efficiency than ever before. Track, signalling, locomotives, carriages, wagons, ships, road vehicles and containers alike reflect these improvements, and each has played its part in giving the public better service, both as regards passenger train amenities and the quickness and reliability of goods deliveries.

In one respect I make a reservation, as railway stations have not similarly shared in this development. Something has been done but not much and, properly I think, priority has been given to the equipment side. Apart from this reason I, at least, do not see why private capital should be sunk in the erection of passenger stations to emulate Leipzig or Milan, with their lavish

state and municipal aid, or the huge new stations in America, the outlay on which has added to the present financial difficulties of the railroads there. The lay-out of goods stations and the economic limitations to their size are old problems which have been further complicated by post-war conditions, and here also, I think, having regard to all the costs between arrival or departure of complete trains and the warehouse of the consignee or consignor, the tendency will be away from very large stations.

THE INCIDENCE OF THE RESULTS OF AMALGAMATION

So far I have been considering the broad national results of amalgamation, as that was the principal object of the Act of 1921, and the results of the ten years, considered nationally, have, I consider, been more satisfactory than was anticipated in 1921, although many of the good results were not then thought of and some then forecasted have not been touched.

When, however, we come to the incidence of those results as between railway-owners, railway users, and railway employees, compared with the anticipations of 1921 the position is very different. I need not go into the distribution of the total net revenue between the various old classes of stocks in their new classes, with different priorities—an interesting but academic study—and will regard the owners as one.

The scheme of the act contemplated that normally each of the four new companies would earn the same net revenue in currency as its parts did in 1913—£45½ millions for the year—together with certain allowances mainly for new capital, which make the total to date about £51 millions. In no year was the total reached and in 1932, which I hope will be the low water mark, the amount of the net revenue of the four companies was £26½ millions.

The level of railway charges, as a whole, in 1932 was approximately forty-five per cent greater than in 1913, and railway working costs, as a whole, were about eighty per cent greater. I have sometimes seen comparisons made between the increase in railway charges and the index of wholesale prices, but these are not comparisons of like factors, as the latter is not representative of railway costs or even the prices of railway materials. My figure of eighty per cent for the increase in railway costs since 1913 is simply the net increase in expenditure, after allowance for the economies and savings mentioned, adjusted by the engine miles variation. While the prices of materials and labour have each contributed to this, the latter is by far the more important as it has increased by 114 per cent in amount, and rather more in rates, compared with an increase of forty-four per cent in the cost of living.

I end this recital of figures by adding that whereas in 1913 the ratio of wages to net revenue was as 51 : 49; in 1923 it was 72 : 28, and in 1932 as 78 : 22.

My deductions from these facts are:—

- (1) Railway users have benefited because railway charges have increased less than railway costs;
- (2) Railway staffs have benefited because the wages rates have increased considerably more than the cost of living. In fact, in purchasing power they are higher than ever before.
- (3) Railway net revenues have suffered unduly.

The incidence of the results has therefore, to my mind, been prejudicial to railway owners alone—apart from the ultimate prejudice to users which comes indirectly from this result.

Net revenue does not, as often suggested, mean profits in the ordinary commercial sense. Net revenue in the Railways Act sense includes debenture interest, and as this prior charge represents about £12,000,000, the reduction in profits is relatively much greater than the reduction in net revenue.

CRITICISMS OF RESULTS

I do not suggest that in the present period of economic stress holders of railway share capital can expect to obtain normal returns. That would be an absurdity, but I point out that by the restrictions of the Act of 1921 the maximum net revenue represents about $4\frac{3}{4}$ per cent of the capital subscribed, and the suggestions sometimes made that, because of the present depression of net revenue, there should be a reduction of this low maximum earning power, permissible in ideal conditions, are as unsound as they are unfair, whether they proceed from politicians or traders.

No responsible person has suggested that the present undertakings could be constructed and equipped for the present capital expenditure, and the suggestion usually is that railway capital expenditure and issued capital should be written down and accompanied by a reduction of the possible maximum net revenues because present railway earning power is less than was contemplated in 1921.

Why has that earning power diminished? Bad trade is undoubtedly one reason, but I am unable to agree that this is a reason for reducing the maximum net revenue powers. If the nominal amounts of railway capital stocks were on a sliding scale, varying in each direction with net revenue, the change would be simple except for the clerical work involved; but also meaningless because it would merely alter capital labels without altering capital values. In the past, railway capital expenditure and stocks were not revalued and written up in what are described as "boom" periods, even in 1913 when $4\frac{1}{2}$ per cent was earned on the total capital subscribed.

A specific reason advanced for capital cutting is that by reason of amalgamation, two competing sections of lines now in one ownership represent unnecessary capital. This is more plausible, but equally unsound. On amalgamation the two lines were amalgamated on the basis of pre-amalgamation net revenues, which became the new maximum net revenue. Amalgamation has not, therefore, reduced the net revenue earning capacity of the two in one ownership, but in fact increased it, and parliament even went so far as to prescribe that the increase should not accrue to the amalgamated owners in increased maximum net revenue power, except for one-third of the annual savings effected by early steps taken to secure economies in anticipation of amalgamation. Any economic loss, due to duplicate facilities created prior to 1914, was in all cases already reflected in the net revenues of 1913 which have been stereotyped as the future maxima.

Another suggestion is that the railway net revenues are depleted by wasteful management. If this were true I cannot see why railways should be punished in future if they succeed in remedying their misdeeds, but the Railway Rates Tribunal, the court created by parliament to review this and other matters, has in fact found that the "deficiencies are not due to lack of efficiency and economy in the management."

Another suggestion is that road competition has permanently destroyed part of railway earning power. It may have, but why railway critics should be eager to assume this and ensure it by statutory reduction of future earning power they do not explain.

Parliament is all powerful and can, of course, require a railway company to put a different denomination label on any part of its issued capital and at the same time reduce its maximum future net revenue earning power. The Irish Free State Parliament has already done so and in the process reduced the interest on debenture capital which had never defaulted.

The only advantage of recapitalization is the theoretical one, that writing down will attract new capital. This is sound where a limited company, for domestic reasons, rearranges its capital, but I have never heard of a case

in this country where this was done and there was a simultaneous restriction by parliament of future profits. It is not the course I would suggest to secure subscribers to new capital issues.

Where there is an absolute deficiency in net revenue, after exhausting reserves, including premiums on capital issues, which has in fact reduced its capital resources, a limited company must cancel a part of its issued capital, so as to cancel the net revenue loss, before dividends can be resumed, but that is not the position of any of the four railway companies and they have not the power of limited companies to revalue their capital downwards or upwards, subject to court control in the interests of the investors. I would very much like to see parliament leaving the financial affairs of the railway companies to be dealt with under the ordinary law applicable to limited companies, and confining parliamentary financial controls to the relations between the companies and the public. A Royal Commission recommended this 66 years ago, but it is not yet the law of the land. If it becomes so, I hope the government at the same time will release the railway companies from their special liabilities under the Income Tax Acts, for which there is not the slightest justification.

An amusing aspect of this capital value question is that a financial journal, in successive months, published attacks on the railways for being overcapitalized and for holding excessive reserves.

With the exception of those who are deluded by phrases this talk about railway capital rearrangement proceeds from those who wish to see railway stockholders penalized, and the matter is not so far one which would require to be dealt with in a domestic manner by a company whose domestic arrangements are governed by the law relating to limited companies. The only thing that matters is the present and potential earning power, as that is the only measure of the value of a railway company as a going concern.

It is sometimes suggested that because the present circumstances have made certain sections of line unprofitable they should be closed down. In certain cases where the conditions indicated permanency, lines have been closed, or passenger services have been withdrawn, and the result has been to increase the net revenue as a whole. More may be done and will probably be required if the present circumstances do not appear likely to improve, but, if so, the net revenue position will be made not worse but better and the loss will be felt by those thrown out of employment by closing, and by the ratepayers who will have as a substitute for a rate paying railway line a non-rate paying but rate-aided roadway.

There was one light episode in these distasteful withdrawals. On a branch line in a thinly populated area there were always few passengers in the trains except on the local market days when a couple of the trains carried perhaps 50 to 100 passengers each way. A 'bus service was started on those days only and took the little traffic available, with the result that the railway company intimated that their passenger service would be withdrawn. The local council were greatly concerned and the leader of the deputation to the railway company said: "For God's sake don't withdraw your trains; there isn't enough traffic to pay the working expenses of a daily 'bus service." That is a microscopic illustration of the process of "creaming" the traffic and its results, which have had far-reaching effects, more serious though less obvious than in this case.

The only means, I have seen suggested, for revaluing railway assets are physical valuation on replacement cost of Stock Exchange valuation. A physical valuation has been in preparation in America for a long time and has caused a heavy outlay without practical results. If one were compiled here, the replacement cost would be found to be much more than the capital expenditure even if large sections of line were closed and sold. Stock Exchange valuation is the

basis suggested in some quarters which regarded that course as anathema when nationalization was suggested and railway stocks were standing at high prices. If applied now, and accompanied by a restriction of future earning power, exactly the same process could be applied to any other stock or share, such as $2\frac{1}{2}$ per cent Consols, or a vacant house or office, or a bank deposit, and I see no reason why railway investments merit differential treatment. In common with all securities with fixed or maximum rates railway securities have, in fact, been reduced in relation to purchasing power by currency changes in the value of money, and as a class the holders cannot object, but they have every right to object to a further reduction of their return, because the present market value reflects either such loss or temporary or permanent economic conditions.

I hope I have not taken up too much of your time on this point, which I would summarize thus: the proposals made for the writing down of railway capital, if they merely mean altering capital labels, are meaningless; if they are based on stabilization of present earning power or Stock Exchange quotations, they are simply confiscation; and if they are based on future prospects, I do not accept the prophetic vision of the proposers.

ROAD COMPETITION

Road competition, to return to it, has undoubtedly had a very serious effect on railway net revenues, partly by diversions of traffic, partly by rate-cutting to prevent diversions, and partly by increased local taxation.

To some extent this is a perfectly natural result of the development of a new means of transport, which is more economical than railway transport in certain circumstances. To some extent also it is an unnatural result because part of the costs of the new means of transport is not borne by its users and, because as between railway and road charges for work done, there are radical differences of type. Railway charges are regulated not only as to total amount, but also to provide for all classes of traffic on a plan or classification, which has regard to traffic nature, and this, in various forms, has continued since Parliament first required it in 1801, down to the Railways Act of 1921. On the other hand, road traffic charges have only in recent years received the consideration of Parliament, and as regards goods traffic are based not on any classification, but on "the higgling of the market" in thousands of separate bargains. Classification of road haulage charges, on the lines required by Parliament for railways, is, I think, impracticable owing to diversity of ownership of the carriers on the public roads, because each of the many separate services on the public roads could not cater for all classes of traffic. Which of these two charging methods will survive or, in accordance with Parliamentary traditions, how each will be modified as a compromise, can perhaps be considered better ten years hence.

The problem is far from simple and the fact that in one case the track is owned by the operator and its cost is a standing one and, in the other case, is owned by the public and its cost, so far as charged to the operator, is to him a variable one, is an important economic difference which is often overlooked.

Whatever the ultimate position may be, in regard to this and other differences in the Government treatment of the two chief means of transport, I cannot think there is any doubt that the unnatural part of road transport development in the last ten years was a considerable waste of national resources at a critical period, which also retarded the intentions of the Railways Act of 1921. It sounds paradoxical, but the success of that Act in other respects has assisted road transport and its Government aid, because amalgamation economies to some extent hid the effects of the Government road policy, and had the old companies continued their separate ownership there would have been a crisis before now.

Even the Government, however, is entitled to its due, and just as the War forced scientific discoveries of great advantage in times of peace, so the rail and road transport war has forced discoveries which might not otherwise have been made, which are of permanent value in the economy of rail transport. These, however, are advantages which I do not suggest would justify either another World War or the theory that rail and road warfare is healthy or inevitable.

Co-ordination of the two is desirable and possible and some steps have already been taken to effect it, but on a major scale it is impracticable until there is equality or, at least, definitiveness in the Parliamentary treatment of each. The grant of road powers to the railway companies in 1928 and the Road Traffic Act of 1930 have together enabled much to be done on the passenger side without any of the dire results suggested by the opponents of these Acts. The Bill now before Parliament will, I hope, enable further progress to be effected, and in the Transport Advisory Committee which it proposes to set up there is the genesis of a scheme which can be applied to secure a real improvement in the economy and efficiency of the transport services of the country.

Ten years hence the results can be reviewed, and for this evening I am content to deal with the ten years which have passed.

26th October, 1933.

EXHIBIT No. 74

RATIONALIZATION OF BRITISH RAILWAYS, BY W. L. WATERS,
PRESENTED BEFORE THE AMERICAN SOCIETY OF
MECHANICAL ENGINEERS, RAILROAD DIVISION, METRO-
POLITAN SECTION, NEW YORK, MAY 11, 1938.

The author was born and brought up in England, graduating in civil and mechanical engineering from the London University. After serving an apprenticeship in railway shops he came to Canada and the United States where he engaged in manufacturing engineering on power and railway equipment. For the last 18 years he has been in consulting engineering practice in New York, with transportation and industrial activities. He is a Member of the American Society of Mechanical Engineers, the American Society of Civil Engineers and the Engineering Institute of Canada.

Recently in England he made a study of the results of the consolidations under the Railways Act of 1921; and in the study the railways, the labour executives and the government bureaus were kind enough to assist with information, advice and criticism. The paper outlines some of the important facts he was able to develop.

RATIONALIZATION OF BRITISH RAILWAYS

The Railways Act of 1921 which consolidated the railways of Great Britain into four large systems divided roughly on geographical lines, described itself as an Act to promote the "more efficient and economical working of the railway system of Great Britain." It was a compromise in a difficult situation.

On the outbreak of war the Government had taken over the control of the railways, guaranteeing the net receipts of the individual companies on the 1913 basis and to return them to the owners unimpaired at the end of the war. Immediately following the war the Government found itself in possession of the railways in an impaired condition and with personnel seriously affected as the result of the war. Wages and the prices of fuel and supplies were more than double pre-war; and labour as a reward for its sacrifices during the war was demanding an eight hour day with the continuation of its war time bonus and wages.

In 1919 the Government introduced for all members of the wages staff an eight hour day instead of the pre-war nine to twelve hour; and in 1920, as the result of negotiations after a one week strike, wages were established on a weekly level just under the then wages and war bonus, with the balance to fluctuate with the 'Cost of Living Index' until wiped out by the fall of that index. This resulted in railway wages in 1920, figured on an hourly basis, averaging about three times pre-war. As passenger rates had been increased less than 50 per cent since 1913, and freight rates with minor exceptions not at all, the Government increased freight rates to about 110 per cent and passenger rates to about 75 per cent over pre-war. Yet in spite of these increases the railways were being operated for the Government at a heavy loss; and in the 20 months ending August, 1921 (due largely to a coal strike and deferred maintenance expenditures), the railways had failed to earn their operating expenses by £12,000,000 (\$60,000,000). Hence the necessity for Parliamentary action to promote the "more efficient and economical working of the railway system."

Commercial interests wanted lower freight rates; labour wanted the continuation of the high wage scale; and the railway companies wanted the properties back with some assurance in regard to their earning capacity, and they wanted the £60,000,000 (\$300,000,000) which as a compromise had been agreed upon as compensation for the increased costs of the arrears of maintenance and other matters. So it is not difficult to understand the pressure there was on all interested to make concessions and arrive at a compromise. The Labour Party wanted, and at least one member of the Government appeared to favour, nationalization of the railways. But the public generally was tired of the rigid war time control and was not satisfied that the railways could be operated effectively under a civil service. The shippers, in particular, were strenuously opposed to nationalization; and the more conservative of the labour leaders realized that the possibility of maintaining their high wage scale and at the same time giving the lower freight rates which the shippers were clamouring for, lay in the energetic initiation of reforms by private enterprise, rather than in a slow moving rigid bureaucratic organization such as the Post Office.

The Government proposed to consolidate the railways into a limited number of systems under the control of the Ministry of Transport, and to safeguard the interests of labour by specifying (1) That employees should be represented on the boards of directors of the amalgamated railway systems, and (2) A continuation of the existing Central and National Wages Boards originally set up in 1919 to regulate wages and conditions of labour. The chambers of commerce and the railways strenuously opposed employee representation on the boards of directors; and labour leaders realized that a minority representation on the boards might be of little actual benefit to labour, while the responsibility resulting therefrom would seriously curtail its freedom of action. This feature was accordingly abandoned when it was agreed that labour should have equal representation with the railways on the wages boards and that the existing wage scale and employees' jobs were to be maintained. The Act as passed safeguarded railway labour by specifying that no employee of five years standing should as the result of the amalgamations be in any worse position as regards pay or rights and that any who did so suffer were to receive compensation as decided by arbitration. This clause protected employees from losses resulting from the amalgamations; but it did not safeguard them against being laid off as the result of a depression. In a depression the railways were under a moral obligation to protect the 70 per cent of the employees who were considered to be "permanent, and who, as such, had at the joint request of the railways and the labour union been "excepted" from the national Unemployment Insurance commonly known as the "dole." The other 30 per cent who were not classed as "permanent" came under the protection of the national Unemployment Insurance in case of lay-off. This latter group consisted of shopmen, casuals, auxiliaries, etc., and there hav

actually been very few lay-offs of such employees, as in a depression the railways and the labour unions combine to work out short time schedules, etc., to care for these men.

The Railways Act, passed in August, 1921, and which went into effect January 1, 1923, amalgamated the 120 standard gauge railways of Great Britain (excluding the London underground systems), with about 20,000 miles of route, into four geographical groups and about half a dozen jointly owned lines which had a total of about 600 miles; and it specified the conditions under which they should operate. It placed the process of amalgamation under the Amalgamation Tribunal, rates under the Railway Rates Tribunal, and wages under the National Wages Board.

The public and the commercial interests wanted lower freight and passenger rates which, as stated above, then averaged about 110 per cent and 75 per cent respectively above pre-war. The Act specified that the existing rates should continue in force until the Railway Rates Tribunal fixed new rates to yield the standard return for the railways, to go into force at a date which was subsequently fixed by the Tribunal as January 1, 1928. But the railways voluntarily reduced rates from time to time, until in 1927 freight rates were about 63 per cent and passenger rates about 50 per cent over pre-war. In 1928 and subsequently many rates were still further reduced. Both passenger and freight rates were, however, increased 5 per cent in October, 1937. Yet at the present time, despite the fact that railway unit operating costs are about double pre-war due to the increased prices of labour and materials, the level of railway charges as a whole is only about 50 per cent higher than pre-war, which figure corresponds closely with the increase in the cost of living.

The public also wanted the competition of pre-war days, and at the same time it wanted the convenience of the unified railway system. The grouping of the railways on geographical lines, however, largely eliminated competition except at common points where the systems overlapped; and the shippers were fearful of the effect this would have on the service. But they soon found that as a result of the increased enterprise of the managements, the short routing of shipments, and the elimination of clerical work and delays resulting from transfers between different lines, conditions had improved rather than suffered. So satisfied were they as to the results from this elimination of competition, that in 1932 they agreed to the pooling of freight traffic at all common points so that the most convenient depots and the most economic routes would be available for all shipments. The privilege of using passenger return tickets on any alternative direct route was also introduced at the same time. So the pre-war competition with its extravagances has now virtually disappeared, with resulting benefits to both the public and the railways.

Though the British railways are not yet above criticism, the reduction in rates and charges, the increased speed and convenience with which freight and passengers are now handled, the co-ordination of highway and rail services (both freight and passenger), and the introduction of many special passenger services make it impossible that the public would ever consider reverting to the conditions of 15 years ago.

Thus the shipping and travelling public has obtained much of what it wanted, and far more than it expected from the Railways Act.

The railway companies wanted their pre-war prosperity as represented by the standard return which was based on the 1913 net earnings plus an allowance for later capital expenditures, and which total was equivalent to a return of about 4.7 per cent on the invested capital. But they have never obtained this. In 1929, their best year, they realized 88 per cent of the standard return, and in the 14 years to 1936 they averaged 70 per cent of it. During this 14-year period the railways expended about £200,000,000 (\$1,000,000,000) in physical betterments, partly to make good accrued wastage and partly to effect economies.

This money came principally from renewal reserves and depreciation funds,—less than 7 per cent of it being charged to new capital, the interest on which resulted in increasing the standard return the railways were entitled to earn. This money was spent for new locomotives and cars, track improvements, signaling, shop equipment, improvement in freight depots, new freight handling equipment, etc. The railways also introduced a vast amount of improvements in operating details. But the maximum economies possible from the use of new equipment and methods of operation have been restricted by staff questions as the Railways Act protected the jobs and rights of employees; and the railways have been scrupulous in observing the spirit of this clause in the Act and in safeguarding human relations when handling their employees. Though exact figures are not available, the railways estimate that less than one per cent of the total employees were dismissed as the result of the amalgamations; and in most of these cases the financial compensation was settled amicably, few cases going to arbitration. Also in the closing of shops, depots and offices the railways moved very cautiously so as not to penalize any locality by removing railway activities until new industrial developments had replaced them in the commercial life of the community. So it will be a generation from the date of amalgamation before the railways will reap the full economic benefits to be expected under rationalization.

Whereas when the Act was passed a time of increasing business activity was expected, the period since 1923 has been one of fluctuating national prosperity. From 1923 to 1932 railway gross revenues decreased 24 per cent, net ton-miles 22 per cent, receipts per train mile 30 per cent for passenger and 14 per cent for freight. Further,—the development of common carrier highway truck and bus competition, and the use of the privately owned motor car and truck, has had a serious effect on the merchandise and passenger traffic of the railways. So it is not surprising that the railway companies have not to date been able to fully realize the financial benefits possible under rationalization. As business improves and highway traffic is brought under better control, and personnel conditions permit the introduction of the labour-saving equipment and methods which the railways have planned, they expect to obtain all the financial results that were anticipated. But they have not obtained them to date.

Without the improvement in operating efficiency which resulted under rationalization the combination of the high war time wages for labour which have been substantially maintained to date, the increased prices of materials, and the reduction in freight and passenger rates from their 1921 level would have meant bankruptcy for probably one-third of the rail mileage of the country, with consequent injury to the whole financial system of trust funds, insurance investments, charitable endowments, etc. This improvement was not alone that resulting from such items as joint use of rolling stock and facilities, short routing of traffic, standardization of equipment, consolidation of shops, offices, etc., which would naturally be expected from the grouping of a number of railways. The managements realized that rationalization meant a new era for the railways. They were shaken out of their pre-war conservatism, and they became eager to make improvements in operation; and to facilitate this introduced widespread changes in accounting, research and administration. The general attitude and effectiveness of railway labour also improved greatly, as the men saw they could expect to hold their gains only if the railways prospered. The machinery set up to facilitate the prompt settlement of questions affecting the interests and welfare of the staff worked well; and the sensible attitude of the labour leaders resulted in increased respect for the railway trade unions. The result was that despite a large element still favouring socialization of the railways, a spirit of co-operation and general desire to do their best replaced the almost hostile attitude on the part of the men which had at times been in evidence before the war.

It is not possible to apportion the extent to which the improvement in operation of the railways has been due to each of the various features which were directly and indirectly the consequences of the Railways Act. They must all be grouped together as the *total net results* under the rationalization of the railways; and the really remarkable character of these results is indicated by the comparison of the operating results of 1913 and 1936 given later in this paper.

Labour, more than any other interest, has gained by the rationalization of the railways, because it enabled the trade unions to consolidate and hold all the gains made between the outbreak of war and the commencement of amalgamated operation; and further, labour secured a very effective system of settling disputes with the railway managements.

Prior to the war railway wages and hours of labour in Great Britain were in a more or less chaotic state and varied with the cost of living and the general wage scale in the districts. The weekly wage rate for the same class of rail labour varied 30 per cent between the different localities; and the regular weekly hours on which the wage rates were based varied from 48 to 76 for the different classes of labour, four per cent of the employees having wage rates based on over 72 hours per week; and there were erratic rules as to over-time and Sunday and night work. During the war the wage scales and hours, generally speaking, remained unchanged; but to compensate for the increased cost of living all grades of railway labour received an additional compensation known as the War Bonus, which in 1920 amounted to about 38/- (\$9.50) per week.

In 1919 when the Government granted an 8-hour day to all members of the railway wages staff in Great Britain, it set up a Committee to review the rates of pay and the conditions of service with the railway trade unions; and a comprehensive National Agreement covering all the railways of Great Britain was worked out. Except for locomotive and train crews, switch and signalmen, the new rates were on a town and country basis, the London rates being about 10 per cent higher and the rural rates about 8 per cent lower than the rates in the industrial areas of the country. These new weekly rates were about 100 per cent higher than the average English pre-war rates, plus an allowance varying with the cost of living, which allowance has gradually disappeared since as the cost of living has fallen. As the wage scale was on a weekly basis and the work day was changed to an 8-hour from a 9- to 12-hour and the classification of overtime was tightened, the *increase in hourly* rate of pay compared to pre-war varied from 120 to 200 per cent according to the class of labour and the locality, *after* the cost of living differential had disappeared. The benefits to labour of the Agreement can be seen from the following figures giving the *average actual annual* earnings for all employees in the standard gauge railways of Great Britain in various years.

Year	Average annual earnings
1913.....	£ 76 (\$380)
1923.....	182 (\$910)
1929.....	180 (\$900)
1936.....	178 (\$890)

And when considering the above annual earnings for post-war years it could be remembered that the *average* weekly working hours have been increased about 18 per cent since 1913.

The variations in the post-war annual employee earnings are due to changes in the cost of living differential and a temporary reduction in the wage scale in 1936. The figures indicate that the *average actual yearly earnings* of all classes of railway employees in Great Britain are now about 130 per cent higher than pre-war, as compared with about 45 per cent in the cost of living.

There were also set up to handle railway staff questions: Local Departmental Committees and Sectional Councils to deal with hours, welfare, opera-

tion, application of wage agreements, etc., at particular depots and on sections of the individual railways; a Central Wages Board and finally a National Wages Board to handle questions of wages, etc., on which there had been a failure to agree. The first three of these were constituted of an equal number of representatives of labour and the railways. The National Board had in addition to these, representatives of the public and an independent government appointed chairman. The decisions of these various boards were none of them binding on labour or the railways. But except in a few cases the decisions of the National Board have satisfied both parties; and in these exceptional instances subsequent direct negotiations between the railways and the trade unions resulted in agreement.

After 15 years' experience with this machinery for negotiation it was revised in 1935. The titles of the Central and National Wages Boards were changed to Railway Staff National Council and Railway Staff National Tribunal respectively, to indicate that they dealt with all staff questions and not merely wages and an important change was made in the National Tribunal. The National Wages Board had consisted of six railway representatives, six trade union representatives, four representatives of the public, and a government appointed chairman. The new Railway Staff National Tribunal which has replaced it consists of one railway representative, one trade union representative, and a chairman appointed by agreement, or failing such agreement to be appointed by the Minister of Labour. The chairman is virtually the sole arbitrator of all matters; and by agreement any question can be referred to him for decision without being formally presented to the Tribunal. Direct conferences between the railways and the trade unions are also made a part of the machinery; and it is specified that no question can be referred to the National Council or the National Tribunal unless there has been failure to agree in such a direct conference. In the formal Agreement it is also specified that "The Railway Companies and the Railway Trade Unions shall use their best endeavours to avoid publicity or propaganda in respect to any question while it is under consideration." These changes from the original negotiation machinery set up by the Railways Act are quite important. They indicate the conviction of the railways and the trade unions that their disputes should be settled by direct negotiation between themselves, and that the public or the government should have no part in them.

As indicating the improved standing of labour in the railway organization since rationalization, it is interesting to note that whereas in the Railways Act of 1925 and 15 years ago employees were officially known as "servants" of the railways, now they are known as the railways "staff."

The above indicates the more important benefits that rail labour and the public have obtained under the rationalization of the railways of Great Britain considered in its broad and total effects. It is also interesting to see what benefits the railways have obtained from the more effective use of labour which has resulted from the consolidations with their accompanying physical betterments and improvements in operation and administration. To make such a comparison it is necessary to go back to the conditions in 1913. The reason for this is that on January 1, 1923, the official date of formal amalgamation, many of the more obvious possibilities of unified operation had already been put into practice. From 1914 on, during the period of government possession the railways were largely operated as one unit and many arrangements were made for the economic routing of traffic, the common use of equipment and facilities, and for joint services. And when in August, 1921, on the passage of the Railway Act, the railways were handed back to the companies, not only were many of these arrangements continued, but further arrangements, consolidations and informal partnerships were made in anticipation of amalgamation; and these resulted in immediate substantial savings of a permanent nature. These informal

arrangements were accelerated because of the clause in the Act which specified that after amalgamation the railways would be permitted to retain in addition to their standard return an amount equal to one-third of the annual savings effected prior to the date of amalgamation. Net earnings in excess of this amount, when considered to be permanent, were to be allotted 80 per cent to reduction in rates and the other 20 per cent was to be added to the standard return which the railways were permitted to earn. As a result of all this a considerable part of the immediate benefits to the railways which were expected under rationalization were already existent in 1923. To obtain a true picture of the way in which the improvement in operation developed under rationalization it is necessary to compare the results of 1913 with those of 1923 and subsequent years.

It is not possible to go into elaborate detail. But a simple and instructive comparison can be made by taking in each year the average train-miles (passenger plus freight) per man-hour of all employees in railway service proper, i.e., exclusive of hotels, docks, etc. This is because under English conditions train-miles are a very fair measure of the work a railway has to perform, since 85 per cent of the train miles are determined by the passenger and merchandise traffic, the servicing of both of which is decided by public convenience and cannot be curtailed at the will of the railway. These figures for all the standard gauge railways of Great Britain combined, are given below. The man-hours have been determined from the average number of employees in each year, with the normal average rated work hours of 58 per week in 1913 and 48 in most war years (House of Commons Documents), and with the percentage of overtime, short time, sick leave and holidays estimated from the information available.

Year	Man-hours per train-mile
1913..	4.43
1923..	4.08
1936..	3.02

That despite the benefits from consolidation which were already in force in 1923 the average man-hours per train mile in that year were only 8 per cent less than in 1913 was probably due to the betterment and deferred maintenance work in progress in 1923, and because the railways had not then fully recovered from the disorganization resulting from the war. With the completion of the program of betterments and the deferred maintenance, and as economies in operation were gradually introduced by the railway managements as the natural wastage of personnel through death and retirement permitted it, the increasing effectiveness of labour under rationalization became evident. This is indicated by the further decrease of 26 per cent in the man-hours per train-mile in the next 13 years to 1936.

These figures indicate that if in 1936 labour had only been as effective as in 1913 the total number of employees in the former year would have been about 4 per cent greater than it actually was. Assuming this percentage applies uniformly to all classes and grades of labour,—and informed investigation indicates that this assumption introduces only a small error,—the total increase in the 1936 payroll for all the standard gauge railways of Great Britain (excluding the London underground system) would have been £40,800,000 (\$204,000,000). It is estimated that there would also have been an increase of about £1,500,000 (\$7,500,000) in the cost of fuel and supplies if 1913 equipment and standard of operation had existed in 1936. If the railways had incurred this additional expense of £42,300,000 (\$211,500,000) for labour and materials in 1936 they would have shown a net operating deficit of £8,900,000 (\$44,500,000) instead of the net earnings of £33,400,000 (\$167,000,000) which they actually showed. This saving of £42,300,000 (\$211,500,000) is about 26 per cent of the gross revenues

for the year, and represents a reduction of about 24 per cent in what the operating expenses would have been with the 1913 standards of efficiency. There was a further saving resulting from the reduction in train miles due to pooling of traffic, closing of branch lines, short routing of shipments, common use of freight cars, etc., in 1936. It is not possible to estimate this, but under the liberal service which public convenience requires in Britain the net percentage saving was no large.

Many of the statements made above are of necessity only approximate, due to the limited amount of detailed information available. But as the railways, the labour executives and the government bureaux have been kind enough to assist with information, advice and criticism, it can be assumed they are reasonably accurate.

As previously stated it will be a generation before the full benefits under the rationalization of the railways of Great Britain and its attendant possibilities are realized. But the saving of £42,300,000 (\$211,500,000) in 1936, *most of which went to the shippers in reduced rates*, indicates the progress made to date; and the increased effectiveness of labour explains why it is possible to pay labour such greatly increased wages while still keeping freight and passenger rates at a level comparable with the cost of living. However, it must not be forgotten that though wages and salaries constitute two-thirds of the operating expenses of the railways, the effectiveness of labour is only one of the items affecting their prosperity.

Since rationalization the railways have never earned their standard return and over the last 15 years have averaged only 70 per cent of it. These poor earnings have been largely due to the reduction in freight and passenger rates, the disturbed economic condition of the country prior to 1927 and to the depression since 1930. But if Great Britain experiences years of prosperity such as were foreshadowed in 1927 and 1929 it seems likely that the hopes shared 15 years ago by the public, the progressive railway managers and the labour leaders will be realized in the next 10 or 15 years. The railways should then be earning their standard return plus a satisfactory margin which will permit further reduction in rates; while rail labour, no longer subject to the pre-war conditions of low pay and poor morale, should through still higher wages be sharing in the prosperity of the properties. This will have been the result of the co-operation of the public, the enterprise of the managements, and the common sense policy of the labour leaders.

DISCUSSION

The following is an abstract of the remarks made by the author when closing the discussion on the paper.

The Amalgamation Tribunal consisted of three men—a banker, an accountant and a lawyer. It substantially completed its work in a year and disbanded at the end of two years. Its decisions were final, except that appeals to the Courts could be made on points of law. Absorption of the individual companies was accomplished by exchange of their securities for those of the new amalgamated railways, the old companies passing out of existence. This operation was simplified because the Railways Act specified that the test of value was to be the past net earnings of the individual companies, with any allowance considered by the Tribunal to be necessary for any special features.

Regarding the question as to what part of the total economies of the British railways has been due to the amalgamations and what could have been expected in any case if the 120 properties had continued their separate operation; an informed official of one of the amalgamated railways states that he would have been very surprised if the sum total of the economies of the individual companies (assuming amalgamation had not occurred) had been more than 10 to 15 per cent of those actually realized by the amalgamated properties.

As to the possible dangers from placing so much power in the hands of the four General Managers of the amalgamated properties; it should be remembered that (1) Highway competition is a powerful check on the railways, (2) The railways are under the control of the Ministry of Transport, and (3) The Labour Party's political platform for the government ownership of the railways is always a threat in the background.

EXHIBIT No. 75

Statement by Sir Edward Beatty, G.B.E., on savings from co-operation, to the Royal Commission on Transportation.

On January 5th, in response to enquiries of the Commission, I presented some figures giving the approximate savings to be achieved from further co-operation in establishing joint trackage, stations and terminals, and indicated the possible savings which might be secured through unification.

CO-OPERATION

Since that time our officers have made a more complete study of co-operation and I now file a detailed statement showing a possible saving of \$6,348,000 through such joint arrangements.

In the outline of the proposals which follows, I will indicate the difficulties which attend the making of such joint arrangements. This is done with no idea of prejudicing a full and impartial examination of the proposals, but solely to give the Commission some idea of the nature of the obstacles that have to be overcome to bring joint agreements into effect.

The largest part of the saving estimated is based upon the establishment of twenty-two new joint trackage sections involving the abandonment of 1,582 miles of track, details of which are shown in Exhibit "A."

The longest section included is one of 405 miles between Winnipeg and Kaminitiquia, near Fort William. The estimated saving of \$1,250,000 is brought about by abandoning operations over the Canadian National route via the National Transcontinental between these points. Three ways are suggested in which the traffic could be handled. The first, and that which has been included in the exhibit, contemplates that the year round traffic of the Canadian National could be moved via the old Canadian Northern line, only, the overflow traffic in the rush period to be accommodated on the Canadian Pacific double track line. Such an arrangement would have certain disadvantages to the Canadian National which would have to be weighed against the proportion which would accrue to that company of the monetary saving to the two railways. In speaking of disadvantages, I have in mind that the Canadian National would, under this proposal, have only one regular route for traffic between East and West. There would, in addition, be practical difficulties in operating, during the period of peak traffic, over a joint section 405 miles in length, which would include two intermediate terminals. If the Canadian National trains were to be operated by their own employees, special arrangements as to accommodation would have to be made for their train and engine crews operating away from their home terminals. If the trains were to be operated by Canadian Pacific employees conflict would arise in respect of the interest of the Canadian National and Canadian Pacific employees. There would also be difficulty in adjusting expense because of fluctuation of traffic from year to year.

The second arrangement would be to route the major part of the Canadian National freight and passenger traffic over the Canadian Pacific the year round. This would present no less difficult problems, because of the existence of the alternate Canadian National route via Fort Frances and the practical difficul-

ties of operating over such a long section of track with employees of two companies having conflicting interests. At the intermediate terminals, there would be problems as to priority in switching and in the repair and despatching of locomotives.

The third proposal is the same as the second, except that Canadian Pacific employees would handle the traffic. This would overcome the practical difficulties referred to, but the objection to it is that it involves placing the major traffic operations of the Canadian National in the centre of their system under the control of a competing carrier.

Another large item is a saving, estimated at \$1,206,000, to be secured by the abandonment of operations over the Canadian Pacific track between Kamloops and Petain, 163 miles, and Canadian National track between Hope and Vancouver, 79 miles. No practical difficulties are apparent in creating a joint section between Kamloops and Petain, utilizing the Canadian National low grade line, although it might be necessary to make some expenditures in order to bring this section of Canadian National track up to the standard of the Canadian Pacific line to be abandoned. To abandon the Canadian National track between Hope and Vancouver, it would be necessary to make a connection so that the Canadian National could reach their freight terminals.

The remainder of the joint sections are for relatively short distances.

In Exhibit "B" details of an estimated saving of \$2,269,000 are shown. These savings are to be secured through the establishment of joint stations and terminals at sixty-seven places. A brief description of some of the items will indicate the factors involved.

The saving of \$81,000 at Quebec is divided about equally between consolidating the freight sheds and the car departments. With regard to the former, it is appropriate to note that prior to the consolidation of the Canadian National Railways, the National Transcontinental Railway was making use of the Canadian Pacific freight shed. The combined Canadian Pacific and Canadian National traffic could have been taken care of in the joint terminal with a small extension to the freight shed. The Canadian National, however, considered it desirable, for competitive reasons, to withdraw the National Transcontinental traffic and consolidate it in the Canadian Northern shed. There has been no change in the situation since that time. With regard to the car departments, negotiations toward consolidation have already taken place. To accommodate all the Canadian National coaches, it is necessary to enlarge the joint coach yard. This work, and the consolidation of the car staffs, has been temporarily deferred in view of existing business conditions. This particular situation illustrates the difference between savings feasible through co-operation and through unification as the passenger traffic of a unified system, because of the reduction in the number of passenger trains and cars to be operated, could be adequately taken care of in the existing facilities.

In view of the failure to agree upon a general program for joint use of facilities in Montreal, no saving has been included for such joint use. The item of \$290,000 represents an amount which it is estimated could be saved if the two systems agreed to close the outlying freight sheds in various parts of the city and consolidate the handling of less-than-carload traffic; the Canadian Pacific at Place Viger, and the Canadian National at Bonaventure and Point St. Charles.

The largest single item in the study is the saving of \$637,000 shown at Toronto. This saving represents the results of the consolidation of passenger coach yards, the consolidation of passenger stations at Parkdale and West Toronto, and the establishment of joint switching for industrial areas. In the past it has been difficult to reconcile the differences of the two companies in switching industrial areas. For instance, it is only a little over a year ago since the Canadian National required the Canadian Pacific to construct a servi-

track in the North Toronto area, in accordance with the forms of an agreement dated 1915, in order to secure direct contact with the industries instead of availing itself of the services of the Canadian Pacific which had been performing the switching.

A saving of \$400,000 could be secured by consolidating the facilities of the two companies at Port Arthur and Fort William, where the physical situation is favourable to consolidation. Serious difficulties would probably develop due to the extraordinary conditions which prevail during the rush period, which call for the prompt release and return of grain carrying equipment. To prevent disagreement, absolute impartiality in the placing of cars in order of arrival would be essential, and this would be almost impossible to arrange on all occasions.

It is estimated by consolidation of all facilities at Calgary, there would be a saving of \$120,000. The establishment of a joint passenger station has been the subject of discussion between the companies. This project is usually linked up with the Canadian Pacific's use of the Canadian National terminal at Edmonton. An item covering this and including the abandonment of 33 miles of Canadian Pacific track, is listed in Exhibit "A."

Included in the total is a saving of \$90,000 through the merging of the Okanagan services. This includes a consolidation of train and boat services in the Okanagan district.

From what has been said with regard to the points at which joint operation appears at all feasible, it will be seen why the total to be saved from co-operation is so much less than the saving which would result from unification. In a previous statement, I referred to the difficulty in extending the field of co-operation beyond certain boundaries. Conflict of interest, and of governing policy, is found to exercise a restraining influence. Prestige and good will are of the utmost value in the railway business, and withdrawal from certain areas by a company professing to give nation-wide service might endanger both, and do damage to the morale of the whole organization. The operation of a trans-continental system cannot be localized. The employee at Saint John or Sherbrooke, or Regina or Edmonton, is not concerned only with the working of the railway in his own city or his own district, but is vitally interested in advancing the fortunes of the whole system. To neutralize the staff at many of the key points in the country, would result in the indifference which is bound to follow any effort to satisfy the requirements of two contending masters. At last, it has always been the experience that one of the parties felt that the joint staff did not hold the balance evenly, and that its influence and reputation in the community was weakened.

If a general scheme of co-operation between the two competing systems were to be worked out on a large scale, carrying with it an assurance of permanency, it would have to be on the principle of equality of sacrifice and equality of advantage. Conditions vary to such an extent in different sections of the country, and are so subject to modification from time to time, that the difficulties in negotiating a mutually satisfactory arrangement on broad lines would be almost insurmountable. In short, competition and co-operation are practice irreconcilable.

Submitted to Royal Commission, February 19, 1932.

EXHIBIT No. 76

Summary of Mr. Fairweather's discussion of Senate Exhibit No. 49 before the Royal Commission on Transportation.

WESTERN TOUR,

EN ROUTE, OTTAWA TO VANCOUVER,

TUESDAY, December 8, 1931.

PRIVATE CONFERENCE

This afternoon the Commission asked Mr. S. W. Fairweather, Director of the Bureau of Economics, Canadian National Railways, who is accompanying the Commission as Sir Henry Thornton's personal representative, to give the Commissioners the benefit of the study he had made of the possible economies which might be expected to result from a consolidation of the Canadian Pacific and Canadian National Railway systems. Mr. Fairweather stated that he had prepared a somewhat extensive report in the matter for Sir Henry Thornton and will submit it as late as November 27 last.

Mr. Fairweather stated that the economies which could be foreseen as a result of consolidation were undoubtedly large, but could only be effected by the resolute facing of a situation which required sacrifices both individually and collectively as, if it is to reach large proportions, it would involve drastic abandonments of line, reduction in quantity and quality of service, particularly passenger service, and a considerable disturbance of the railway labour and material market. Canada would also have to be prepared to accept the risks attendant upon monopoly, the possibility of inadequate service, of inefficiency of carelessness, and of political difficulties arising from the creation of a large group with a common interest.

Mr. Fairweather divided the possible economies under eleven headings, using as a basis the reported accounts and statistics of the Canadian National and Canadian Pacific Railways, supported by special information where necessary. On the low volume of 1931 traffic the anticipated economy from consolidation at present level of prices and wages was estimated at \$49,000,000 per year to be realized only after a period of adjustment tentatively set at five years.

On the basis of normal traffic, substantially 30 per cent above the traffic of 1931, the anticipated economy from the consolidation was estimated at fifty-five million dollars per year. In addition to this improved financial result arising from readjustment of traffic and of operating conditions, there would be a constructive betterment arising from the release of materials and equipment which would greatly reduce capital requirements for a period of years. The capital value of this released material, allowing for salvage costs, would be \$48,000,000, interest upon which at 3 per cent amounts to \$1,500,000 per year. This estimated saving was divided among the following services in the proportions indicated.

	1931 Traffic basis	Normal Traffic basis
General overhead expenses	\$ 1,020,000	\$ 1,020,000
Readjustment of tariffs and traffic	5,870,000	7,050,000
Traffic solicitation and advertising	5,800,000	6,800,000
Operating economies, freight and passenger	25,850,000	30,470,000
Purchases and stores	2,500,000	2,500,000
Accountancy and statistics	500,000	500,000
Hotels	4,500,000	4,500,000
Express	500,000	600,000
Telegraphs	600,000	700,000
Other subsidiaries	700,000	800,000
Total	48,840,000	54,940,000
Economic value of released material	1,500,000	1,500,000
Grand Total	\$50,340,000	\$56,440,000

Mr. Fairweather proceeded to examine these estimated economies in order, subdividing general overhead expenses into director's fees and expenses, general officer's pay and expenses, clerks and attendants, office rent, and office supplies. He stated the main directorate of the Canadian National Railways consisted of seventeen men drawing approximately \$44,000 a year in fees and expenses. The Canadian Pacific main directorate consists of seventeen men, but the extent of their fees and expenses was not available. There were in addition in both organizations, directors of subsidiary companies, the fees and expenses of which in the case of Canadian National did not amount to more than \$4,000 per annum. Mr. Fairweather estimated that a consolidated directorate would effect a saving of approximately \$50,000 per year.

Under general officers' pay and expenses Mr. Fairweather grouped the President, Vice Presidents, Secretary, Registrar, Treasurer and the system technical advisory staff. Altogether there appear to be thirty-two positions in which there is a duplication of functions, and were it not for the fact that the consolidation would create a system of such magnitude as to be almost unwieldy, one-half of these duplicating positions might be abandoned. The estimated saving in salary and expense would, in that event, approximate \$600,000. However, so unwieldy would be the consolidated system that in all probability it would be necessary to retain some of the apparently duplicating positions, or alternatively to raise the standard of the positions and supplement it with subordinate staffs. It might be desirable to departmentalize the general executive control instead of centralize it under a single president. A natural subdivision would be legal and finance on the one hand and operation and traffic on the other, or again on operation, a subdivision of the general operating authority might be made into matters of current operation on the one hand, and budgeting and planning on the other. Having regard to these considerations it was not anticipated that the net economies would exceed 60 per cent of those indicated by apparent duplication. This would amount to \$350,000 per year.

Under clerks and attendants were grouped subordinate technical assistants, heads of system, sub-departments and clerks. The combined expense of the two railways under that head now amounts to about \$5,500,000 per year. Having regard to the expectation of a lessened total operating expense, amounting to possibly \$30,000,000 per year with consequent reduction in supervision, it was anticipated that economies under this heading would amount to approximately \$500,000.

Office rent and office supply for headquarters staff were regarded as minor items. The saving on the first was estimated at \$20,000 per year on the basis of \$1 per square foot. Office supply, it was thought, might be cut from \$255,000 per year to \$155,000.

Under readjustment of tariffs and traffic, Mr. Fairweather discussed the effect of consolidation upon traffic in so far as such readjustment would affect the revenue accounts. Mr. Fairweather referred to a number of exhibits dealing with re-routing of foreign interchange traffic to lengthen system haul. These readjustments it was estimated would increase the freight revenues by \$6,570,000. This increased gross revenue, would, of course, carry increased operating expenses. These on a direct out-of-pocket basis were estimated to amount to \$3,250,000 for both freight and passengers, leaving an increase in the system net of \$3,320,000.

Allied to the re-routing of foreign interchange traffic was the question of readjustment of interline division. The volume of traffic interchanged by the Canadian Pacific and Canadian National railways with United States roads, other than their own subsidiaries, amount to approximately \$50,000,000. It was anticipated that, automatically, the basis of division could be readjusted to yield an increase of approximately 5 per cent, which would amount to \$2,500,000 per year.

Other economies considered possible were the cancellation of all agreement with carload consolidating companies. Under unified operation the competitive incentive to the practice of consolidating L.C.L. shipments would be removed with an estimated beneficial effect upon net income of \$100,000. The necessary revision of Canadian National and Canadian Pacific interline rate structure, debit item resulting from consolidating, would amount to about \$250,000 a year. Then there was traffic loss by line abandonments or reduced services to be considered. The approximate station earnings on lines recommended for abandonment amounted to \$2,950,000 per year. The amount of that traffic which would be totally lost was estimated at \$250,000.

Traffic solicitation and advertising was next considered. Superintendence of traffic staff cost the two railways approximately \$3,500,000 per year. It was estimated that this item could be reduced by 40 per cent, resulting in an economy of \$1,400,000. Traffic soliciting agencies cost the two railway companies \$8,200,000. A combination of these activities presently competing with one another would effect an economy estimated at \$3,000,000 per year. What was said of agencies was even more true of advertising including for the purpose of this study the cost of radio. The combined expense of the two railways under that head amounted to \$4,800,000 and anticipated economies to \$2,000,000 per year. On traffic associations costing \$250,000, \$100,000 might be saved; on industrial and colonization activities, the expense of which amounted to \$800,000 per year, an economy of \$300,000 might be expected.

Under the general heading economies, freight and passengers, about half of the estimated saving of \$50,000,000 was set up. The saving on regional supervision was estimated at \$200,000 per year, supervisory district economies at \$350,000 per year, and district supervision at \$600,000.

The abandonment of 988 miles of main line was considered possible together with 1,035 miles of duplicating branch lines and 249 thin traffic lines, a total of 2,272 miles. The economy to be anticipated from these abandonments was estimated at \$3,750,000 per year and consisting mostly of that portion of the maintenance of way and structures which is independent of use, together with the cost of skeleton train service on thin traffic lines.

The re-routing of main line traffic as a result of consolidation presented some possibility of economy, but generally speaking the analysis of comparative operating conditions showed that no considerable out of line haul to the main line of either railway could be justified by improved operating conditions on the alternative main line. The chief opportunities for economies under that heading were:—

Use of C.N.R. as freight line, Kamloops to Vancouver. Routing of traffic from northern Alberta and Saskatchewan to and from Vancouver via Yellowhead Pass, C.N.R. Reduction of branch line haul to main line in western Canada.

Reclassification of main line.

The total anticipated economy under these several heads amounts to \$1,500,000.

Increase in car loading by 5 per cent was felt to be possible and in that way it was estimated that on the basis of 1931 business an economy of \$4,000,000 a year might be effected. The loading of locomotives closer to their potential capacity would permit of increased train loading and if an improvement of 1 per cent could be achieved a reduction in operating expenses on the basis of 1931 traffic might be expected amounting to \$2,200,000.

There was an opportunity for economy in the operation of large freight terminals. These exist at Saint John, N.B., Quebec, Montreal, Ottawa, Toronto, Hamilton, London, Windsor, Port Arthur, Fort William, Winnipeg, Regina, Saskatoon, Edmonton, Calgary, and Vancouver. The total yearly cost of operation of these freight terminals by the two railways approximates \$30,000,000.

was anticipated that about \$2,000,000 a year could be saved without additional capital expenditure. It was pointed out that the modernizing of freight terminals would be a very remunerative field for added capital, ten or fifteen million dollars expended for terminal facilities for the consolidated system would yield a return of at least 20 per cent per annum.

The Canadian National and the Canadian Pacific Railways have each a number of locomotive and car shops, the Canadian National twelve shops employing normally 12,296 men and the Canadian Pacific nine shops employing normally 10,551 men. Canadian shops could be concentrated at Montreal, Winnipeg and Calgary, with an increase of efficiency. This would involve the closing of shops at other points with consequent reduction in overhead expenses and a reduction of repair costs by full application of mass production, with an attendant economy of \$4,000,000 per year.

Under consolidated operation drastic cuts could be made in inter-city and transcontinental passenger service. The travelling public would suffer some inconvenience but it was anticipated that 3,600,000 passenger train miles could be eliminated without reducing to any considerable degree the effectiveness of the railway service. This reduction in train mileage would represent an economy of \$4,500,000 per year. This amount would have to be discounted somewhat in view of the drastic cuts already made in C.N.R. train service. Further possibilities might exist in the substitution of unit cars for steam trains, but that could not be accomplished without considerable capital expenditure.

There are 249 points in Canada common to both the Canadian Pacific and Canadian National railways; of those points 29 are joint stations. The balance represent opportunities for unification and consolidation. Of this number the larger points are Montreal, Smiths Falls, North Bay, Hamilton, London, Winnipeg, Fort William, Port Arthur, Saskatoon, Edmonton, Calgary, Vancouver, Victoria, B.C. Considerable economy could be effected at both points by joint operation, but in the majority of cases that would lead to large capital expenditures, and each case would require careful study. It should be possible however to consolidate without very large expenditures at Hamilton, London, Saskatoon, Calgary and Edmonton, and the economies resulting therefrom would amount to approximately \$200,000; at the remaining 235 points where there are two stations, it would not be feasible in many cases to make the track rearrangement necessary to consolidate all train movements into one station, but it should be possible to consolidate into one station all ticketing and billing and reduce the use of the remaining station to the bare essentials for the accommodation of traffic. In that manner immediate economy of approximately \$450,000 could be effected, which, combined with the \$200,000, would represent an annual saving of \$650,000.

Luxury services have been encouraged by the spirit of competition. This had taken the form of expensive equipment, the practical neglect of upper berths in sleepers and the provision of very high class dining service. This latter item alone cost the railway \$4,700,000 in 1930, offset by receipts of \$3,000,000. Either rates should be obtained commensurate with the value of service rendered or the service could be reduced commensurate with the amount paid. In either case a net economy of about \$2,000,000 per year might be anticipated.

A stricter supervision of loss and damage claims and the elimination of the competitive factor in making settlements should effect substantial economies, amounting to possibly \$100,000.

Under purchases and stores an economy of \$2,500,000 was conceivable. Materials and supplies account for the two railways approximately \$67,000,000 and after a period of adjustment there would seem no good reason why this should not be reduced by \$15,000,000. The out of pocket cost of carrying

these materials, having regard to interest, warehousing and depreciation, would not be far short of 9 per cent per annum, and on this basis an economy of \$1,500,000 was indicated.

The possession of a virtual monopoly in railway transportation would practically eliminate the pressure placed upon the railways to consider traffic in placing orders. The material purchases of the two railways in 1930 approximated \$140,000,000 and it was anticipated that an economy of one-half of one per cent would be possible, or \$700,000 per year.

The printing and stationery expenses of the two railways in 1930 was \$2,300,000. Based on the results obtained by standardization and budgeting on the Canadian National it was anticipated that an economy of \$300,000 per year could be effected as a result of consolidation. Substantial economies might be effected in accounting and statistical work. In addition, if occasions were taken to simplify the financial structure of the Canadian National and to centralize the accounting organization further, large economies would be possible, the whole estimated at \$500,000.

The Canadian National and Canadian Pacific railways own 20 hotels and 12 summer resorts. In addition they are financially interested in a number of other hotels and resort enterprises. In the former case the hotels and resorts are operated as departments of the railways. In the latter case they are separately operated. The investment in hotels and resorts approximates \$95,000,000 and the investments in affiliated properties approximates \$8,000,000. It could not be said that these hotel ventures had been profitable in themselves however necessary they may have appeared from the point of view of larger policy. In dealing with this situation under consolidated conditions it was quite possible that the most desirable procedure would be to dispose of the hotel properties to a private syndicate at the best price they would fetch. Under consolidated conditions the chief competitive incentive for operation of hotels by the railways would be gone. In negotiating a sale to a syndicate the capital investment would necessarily have to be scaled down somewhat to ensure profitable operation and a considerable degree of the railways equity would have to be in the form of common stock. A tentative financial set-up was given by Mr. Fairweather as follows:—

<i>Security</i>	<i>Total amount</i>	<i>Rly. Portion</i>
1st Mortgage bonds.. . . .	\$45,000,000	\$45,000,000
2nd Mortgage bonds.. . . .	25,000,000	12,500,000
Preferred stock.. . . .	15,000,000	5,000,000
Common stock, 500,000 shares No par value		200,000

Mr. Fairweather felt that the liquidation of the bonds should not present serious difficulty once the present depression is ended and might be expected to yield at least \$50,000,000 in cash, which might be further enlarged by sale of the preferred and common stock later. At best capital invested in hotels does not yield more than one per cent; on the other hand invested in remunerative improvements to the railway system it should earn at least 9 per cent. The difference represented a net economy of \$4,500,000 per year.

Each railway company operates an express service on its Canadian lines. Economies as a result of co-operation would largely consist of curtailment of supervision and general overhead, consolidation of outside agencies or offices in the larger centres, and of station services in the smaller centres. Estimated economy, \$500,000 per year.

The commercial telegraph operation of the two systems is somewhat similar to the express. Consolidation economies amounting to \$600,000 per year might be anticipated.

Both railway companies carry on miscellaneous operations such as warehouses, terminal trucking companies, coal mines, coastal steamships, etc. It was suggested that there was a field there for considerable economy, estimated at

\$200,000 per year by the operations of the Rail and River Coal Company to provide for the requirements of both railways and of \$500,000 per year on lake and coastal steamship account.

The abandonments of line, the curtailing of train service, the improvement of train performance and the consolidation of shop operation would release large quantities of track and bridge material and would result in a considerable surplus of freight and passenger cars, locomotives and shop machinery. It is not anticipated that surplus stocks could be disposed of for cash, but this surplus of material would have a value equivalent to a large sum of money annually because it could be used to defer investment of new funds in capital expenditure. A classified estimate of the released material indicated a total value, less salvage, of \$48,000,000. Even allowing for warehousing expense and depreciation until put to active use, this capital should have a net value of \$1,500,000 per year.

Mr. Fairweather stated that the actual working out of a program of consolidation would require the employment of the technical staffs of both railways for a number of years before the opportunities would be exhausted. The conclusions arrived at were largely drawn from the experience gained in the consolidation of the properties of the Canadian National system, and in this connection it was mentioned that the Canadian National problem was dealt with under the stimulus of competitive conditions. Whether with this incentive lacking the economy referred to could be effected was to a certain degree questionable. The program was predicated upon a docile or practically helpless public and an equally docile or helpless staff of employees.

In conclusion Mr. Fairweather dwelt on the cleansing benefits of competition which he held to be absolutely essential to efficient operation. He honestly felt personally that with the principle of competition lacking a proper esprit de corps as symbolized in Canadian National Railway and Canadian Pacific Railway management could not be secured. He spoke also of the benefit to the shipper by the joint use of freight terminals, stating that in 1923 when the Canadian National management was being established the Canadian Pacific was approached with a view to consolidating freight terminals with joint switching facilities so that shippers might be free to ship their goods any way they pleased inside Canada, but nothing came of it.

Asked how much might have been saved by such an arrangement, Mr. Fairweather replied that it would amount to about \$2,000,000 per year. He felt that 25 per cent might be earned on any capital up to \$15,000,000. If the shippers throughout Canada were free to ship their goods with the knowledge that they were getting the best railway service possible, each railway retaining the long haul as far as possible, the increased freedom of buying and selling and the location of plants would be of decided advantage to the country and, since the life blood of the country flows through the railways it could not help but be beneficial to the railways.

Mr. Fairweather spoke also of the advantages of the use of the blanket way bill as between the Canadian Pacific and the Canadian National railways by means of which C.P.R. train loads originating in the Peace River country could, under a blanket way bill arrangement, be diverted towards Vancouver at Edmonton instead of being carried down to Calgary. Under that arrangement also Canadian National business in the Calgary district could be sent forward to Vancouver via the Canadian Pacific by way of Calgary instead of being long hauled by way of Edmonton. Such an arrangement would be very useful during periods of congested traffic and it would defer certain capital expenditures for at least twenty years. It was in part with this expectation in mind that the Quebec, Montreal and Southern had been acquired to be used as a low grade alternative route to the present Intercolonial line in that area and in that case, however, there had been other considerations also.

EXHIBIT No. 77

Sir Henry Thornton's discussion before the Royal Commission on Transportation of an estimate of sixty million dollars savings by amalgamation.

PARLIAMENT BUILDINGS, OTTAWA,

MONDAY, January 4, 1932.

AFTERNOON SESSION

The Commission met at 2.30 p.m.

The CHAIRMAN: Unfortunately Sir Joseph Flavelle cannot be with us to-day; he hopes to join us to-morrow.

Sir Henry, we should like to hear from you with respect to suggestions as to the manner in which the railway situation can best be dealt with.

Sir HENRY THORNTON: Mr. Chairman and gentlemen, you have now, of course, had an opportunity of examining the two properties, and have no doubt heard a good many opinions expressed. What I have to say is largely suggestive, and I hope helpful. Anything that I may suggest I should like to reserve an opportunity to alter in detail as objections may be revealed which quite justifiably might modify such suggestions.

The solution sought of the railway problem of Canada is obviously that which will result in a maximum of efficiency, that is to say, economy, and at the same time provide such transportation facilities as will permit communities in particular and the nation as a whole to progress without hindrance.

In pursuit of this objective, the amalgamation of the two transcontinental companies, namely, the Canadian Pacific and the Canadian National, has been discussed. Like most remedies, it has advantages and disadvantages, and a sound conclusion can only be reached by striking a balance between the two, not overlooking the chances of practical achievement.

Amalgamation under some unified form of administration will, in theory, produce the maximum of economies of which a material proportion will doubtless fructify. It has been estimated that these economies would yield a return of something like \$60,000,000 per annum, increasing progressively from the first year, and reaching the figure named perhaps at the expiration of a five-year period. Whether all of this sum can be salvaged by amalgamation is arguable, but whatever it may be it should not be ignored in the discussion, and it would represent after its full attainment a continuous and annual return.

One of the inherent disadvantages of any state-owned enterprise such as the Canadian National Railway, is the problem of political interference—and one might also add, public pressure. In making this statement I wish it distinctly understood that I imply no criticism of any party or any government, present or past. I merely state a fundamental and universally admitted condition.

The leaders of all political parties and the people of Canada as a whole are a unit in their desire to prevent political invasion of the Canadian National Railway. But the plain fact is that irrespective of such wishes and desires, the problem presents difficulties beyond the control of our leaders, be they ever so patriotic or high minded. After all in any form of popular government it must be accepted as axiomatic that the business of government is politics and, irrespective of whether one likes it or not, politics is something with which a government must reckon in all of its activities.

This difficulty would of course be removed if the two railways were amalgamated under private ownership; but at once there is aroused in the minds of the citizens of our Dominion that fear which is quite justifiably dis-

played whenever a great and formidable monopoly appears—a fear which the activities of many monopolies in the past have justified. There will also be the criticism that with the removal of competition there is bound to be a deterioration in service and efficiency, irrespective of the desire and effort of the management to avoid such results.

In short, for a variety of reasons, of which two have been expressed, the amalgamation of the Canadian National and the Canadian Pacific would be definitely repugnant to the people of the Dominion in my judgment; and, apart from anything else, it becomes politically impracticable. I believe it must therefore be discarded as a solution.

Perhaps some of you would like to ask me some questions with respect to what I have said as to this suggested solution of the problem.

Lord ASHFIELD: Personally I would rather wait for a fuller statement.

Sir HENRY THORNTON: That is all I have to say at the moment on the subject of amalgamation.

EXHIBIT No. 78

COMPARISON OF CANADIAN NATIONAL AND CANADIAN PACIFIC
ESTIMATES OF ECONOMIES POSSIBLE UNDER UNIFICATION

	C.N.R. Estimate as per Exhibit 1 Pages 486-7 Based on Normal Year (Approximately level of Traffic in 1930)		C.P.R. Estimate as per Exhibits Pages 416-426 Based on Year 1930	
<i>Increased Railway Operating Revenues—</i>				
Longer haul over combined systems.. . . .	....	\$4,000,000	....	\$2,135,000
Readjustment of interline divisions.. . . .	....	3,000,000	....	....
<i>Miscellaneous:</i>				
Cancellations of agreements with car-load consolidating companies.. . . .	120,000	....	....	....
Adjustment of rates from "two line" to "one line" basis.. . . .	Dr. 230,000	....	Dr. 100,000	....
Loss in traffic from abandoned lines which will move by other transportation agencies.. . . .	Dr. 350,000	....	Dr. 439,000	....
Loss in interswitching and local switching.. . . .	....	....	Dr. 100,000	....
Loss account reduction in rates due to shorter mileage of consolidated lines	....	Dr. 460,000	Dr. 100,000	Dr. 739,000
Net Gain in Gross Revenues.. . . .	....	6,540,000	....	1,396,000
<i>Traffic Solicitation and Advertising—</i>				
Superintendence.. . . .	....	\$1,400,000	....	\$1,324,000
All Agencies.. . . .	....	3,000,000	....	2,339,000
Advertising.. . . .	....	2,000,000	....	1,542,000
<i>Miscellaneous:</i>				
Traffic Associations.. . . .	100,000	....	88,000	....
Industrial Bureaus.. . . .	....	....	92,000	....
Industrial & Colonization.. . . .	300,000	....	....	....
Colonization & Development.. . . .	....	....	200,000	....
Purchasing, Stationery & Printing.. . . .	(a) 150,000	....	....	....
Stationery & Printing.. . . .	....	....	312,000	....
Other Expenses.. . . .	....	550,000	79,000 (b)	771,000
Total Saving in Traffic Expenses.. . . .	....	6,950,000	....	(b) 5,976,000

	C.N.R. estimate Based on normal year (approximate level of traffic in 1930)		C.P.R. estimate based on year 1930	
Transportation and Miscellaneous Operations				
Station and yard services:				
Station service.....	\$ 800,000		\$ 3,471,000	
Yard service.....			3,944,000	
Large freight terminals (including switching).....	2,500,000	3,300,000	.....	7,415,000
		12,647,000 (c)		13,216,000
Train services.....				
Sleeping, dining and parlour car services			628,000	
Sleeping car service.....			918,000	
Dining and buffet car service.....	2,400,000	2,400,000	.....	1,546,000
Luxury service.....				
Miscellaneous:				
Superintendence.....	1,150,000 (d)		1,290,000	
Despatching trains.....			552,000	
Loss and damage claims.....	120,000		225,000	
Signal and interlocker operation, cross- ing protection, stationery and print- ing, etc.....			668,000	
Purchasing, stationery and printing..	430,000 (a)		.....
Trans. expenses—water line.....		1,700,000	42,000	2,777,000
Total saving in transportation and miscellaneous operations..	.....	20,047,000		24,954,000
Maintenance of way and structures				
Track maintenance.....			9,444,000	
Station and office buildings.....			387,000	
Shops and enginehouses.....			685,000	
Removing snow, ice and sand.....			475,000	
Crossings and signs, signals and inter- lockers, stationery and printing, etc.			1,405,000	
			12,396,000]	
Line abandonment.....		2,756,000 (e)	.....	7,005,000
Abandonment of duplicated yard, station and other facilities on lines retained and changed standards of mainten- ance on alternate lines not aban- doned.....			.....	5,391,000
Miscellaneous:				
Superintendence.....			2,493,000	
Direct M. of W. and S.—passenger train services.....	501,000 (c)		.....
Purchasing, stationery and printing..	166,000 (a)	667,000	.....	2,493,000
Total saving in maintenance-of-way and structures.....	.....	3,423,000		14,889,000
Maintenance of Equipment—				
Superintendence.....				\$1,411,000
Shop machinery.....				234,000
Steam locomotives—Repairs.....				7,765,000
Freight train cars—Repairs.....				2,704,000
Passenger train cars—Repairs.....				1,762,000
Work equipment—Repairs.....				371,000
Floating equipment repairs and in- juries to persons.....				113,000
Consolidation of main shops.....		4,800,000		.....
M. of E. Expenses—Train services..		2,796,000 (c)		.....
Purchasing, stationery and printing..		201,000 (a)		.....
Total saving in maintenance of equipment.....		7,797,000		14,360,000
General Expenses—				
Salaries and expenses of general of- ficers.....		400,000		677,000
Salaries and expenses of clerks and attendants.....		500,000		2,669,000
Accounts and Statistics.....		500,000		.....
General office supplies and expenses..		120,000		481,000
Law expenses.....				363,000
Insurance.....				37,000
Stationery and printing.....				62,000
Purchasing, stationery and printing..		53,000 (a)		.....
Total saving in general expenses ..		1,573,000		4,289,000

	C.N.R. estimate Based on normal year (approximate level of traffic in 1930)		C.P.R. estimate based on year 1930	
Transportation and Miscellaneous Operations				
Lake and coastal steamers.. . . .		500,000 (f)		
B.C. coast steamers.. . . .		.....		450,000
Hotels.. . . .		4,500,000		.....
Express operations.. . . .		600,000		1,450,000
Telegraphs (railway and commercial)..		700,000		948,000
Interest on released investment in material and rolling stock:—				
Interest on released stores and track material .. . . .		.....	1,700,000	
Reduction in stores stock.. . . .	1,500,000		.....
Interest on reduction in investment in equipment.. . . .	.....		4,650,000	
Economic value of released material (track, bridge and rolling stock) ..	1,500,000	3,000,000	.....	6,350,000
Miscellaneous:—				
Insurance department.. . . .	.....		100,000	
Other subsidiaries.. . . .	300,000 (f)			
Miscellaneous income items.. . . .	300,000 (c)	600,000	211,000	311,000
Grand Total.. . . .		\$56,230,000		\$75,373,000

ANNOTATIONS

- (a) C.N.R. estimate \$700,000 savings account Purchasing Policy and \$300,000 account Stationery and Printing, shown in Exhibit 1, Section V on page 486. Distribution of this \$1,000,000 given on page 487.
- (b) Includes \$200,000 savings account colonization and development which is not part of operating savings, being included in item 7 of summary shown on page 416.
- (c) C.N.R. include in Exhibit 1, Section IV on page 486, the following savings account train services:

Re-routing main line traffic.. . . .	\$ 1,800,000
Increased car loadings.. . . .	4,800,000
Increased train loadings	2,700,000
Intercity and transcontinental passenger service.. . . .	5,400,000
	<u>\$14,700,000.</u>

Add saving from train services off abandoned lines, calculated from data in Exhibit 11 on page 508.. . . .

Total Saving in Train Services.. . . . \$16,244,000

Based on information shown in Exhibit 1, on page 487, in Exhibit 11, on page 508, and in Exhibit 17, on page 510, it is calculated that this total of \$16,244,000 was split approximately as follows:—

Direct M. of W. & S. a/c Passenger service	\$ 501,000
Maintenance of Equipment.. . . .	2,796,000
Transportation Expenses	12,647,000
Miscellaneous Income Items (Hire of Equipment).. . . .	300,000
	<u>\$16,244,000</u>

- (d) Comprised of following items shown in Exhibit 1, Section IV on page 486:

Regional Supervision.. . . .	\$ 200,000
District Supervision.. . . .	350,000
Division Supervision.. . . .	600,000
	<u>\$ 1,150,000</u>

- (e) C.N.R. estimate \$4,300,000 savings account line abandonment which on basis of information shown in Exhibit 11, on page 508, was distributed approximately as below:—

Maintenance of Way and Structures	\$2,756,000
Trans. Expenses—Train Service.. . . .	1,544,000
	<u>\$4,300,000</u>

- (f) C.N.R. estimate \$800,000 savings account other subsidiaries in Exhibit 1, Section X on page 486, which according to text on page 484 is split as follows:—

Lake and Coastal Steamers.. . . .	\$500,000
Other Subsidiaries.. . . .	300,000
	<u>\$800,000</u>

EXHIBIT No. 79

Memorandum in Connection With "Adjustments Suggested by the Canadian National" Which Forms Part of a Report of the Joint Committee, Exhibit 71, Filed This Morning, for Economies Covering the Year 1932.

The studies developed a divergence of views; the Canadian National representatives rather featuring co-ordination while the Canadian Pacific representatives were in favour of unification. The Canadian Pacific did not see fit to suggest any adjustments to the Joint Report. In order to meet the views of the Canadian National on unification, it was necessary to reconcile the view points even at the sacrifice of some additional economy which we felt could be made, and in our opinion to a greater amount than those represented by the figures in 1 and 2 of the Canadian National suggested adjustment.

Number 1 suggests that certain rentals now paid to the parent companies by both telegraph systems will not be available to the railway companies if one or other of the telegraph systems vacated the premises. We were of the opinion that if the telegraph systems vacated premises owned by the railway companies, the railway companies would find use for the premises to a value equal to the rentals paid.

Paragraph 2.— One of the reasons given by the Canadian National as to why the expenses for 1932 should be studied rather than 1930 was their claim that they had instituted extensive reductions in expense since 1930 which would not be reflected in the 1930 statement, and this factor would be developed in the study of the 1932 report. In as much as the savings to be effected for 1932 in the joint statement were greater than those estimated by either of the companies for 1930, this would not appear to be a very serious factor.

Paragraph 3.—While this saving is shown exclusive to co-ordination, it could also be applied to unification. At the present time the communications department of the Canadian Pacific operate joint uptown offices with the express, ticket and freight departments, one agent covering all departments. This has developed to a much greater extent on the Canadian Pacific than on the Canadian National. If the Canadian National Telegraphs operated in these joint offices under a unified management, there is no question a saving equal to the amount shown in this paragraph could be made under unification.

1938

THE SENATE OF CANADA



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 19

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Mr. S. J. Hungerford, Chairman and President, C.N.Rys.
Mr. S. W. Fairweather, Director, Bureau of Economics, C.N.Rys.
Mr. W. U. Appleton, Vice President, Atlantic Region, C.N.Rys.
Mr. W. A. Kingsland, Vice President, Central Region, C.N.Rys.
Mr. A. E. Warren, Vice President, Western Region, C.N.Rys.

EXHIBITS:

- o. 80. Broad distribution of C.P.Ry. Co's. estimate of \$64,268,000 savings due to decreased operating expenses.
- o. 81. Statement by C.P.Ry. of operating ratio of unified system, year 1930.
- o. 82. Comparison by C.P.Ry. of unit costs years 1930 and 1937. C.P.Ry. System and C.N.Rys.
- o. 83. Report of Committee on appraisals on reproduction cost of the communication properties of C.P. and C.N.Rys. (Not printed)
- o. 84. Copy of lease from Montreal Telegraph Company to Great North Western Telegraph Company.
- o. 85. Restatement by C.P.Ry. of Exhibit No. 56, re present status of proposals for line abandonment.
- o. 86. Statement by C.N.Rys. respecting the diversion of freight traffic from N.T.R. to I.C.R. between Riviere du Loup and Moncton.
- o. 87. Memo by C.N.Rys. concerning activities conducted at various stations between Monk and Pacific Junction.
- o. 88. Statement by C.N.Rys. showing populations, tons of freight, freight revenue, and passenger earnings, stations Monk to Pacific Junction, 1937.
- o. 89. Joint report of C.N. and C.P.Rys. on British Columbia Coastal Steamship Service.

OTTAWA

J. O. PATENAUDE, I.S.O.

PRINTER TO THE KING'S MOST EXCELLENT MAJESTY

1938

MINUTES OF EVIDENCE

THE SENATE,

TUESDAY, June 14, 1938.

The Special Committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, Joint Chairmen.

Colonel O. M. Biggar, K.C., Counsel to the Committee.

The CHAIRMAN (Right Hon. Mr. Graham): Are we ready to proceed, gentlemen? I believe that Senator Dandurand has something to say.

Hon. Mr. DANDURAND: Honourable senators, I deem it my duty to recall that the decision of the Committee was when we first met on this matter. We decided that we would hear representatives of the Joint Co-operative Committee, in order to find out what efforts they had made to bring about co-operation between the two railroads and obtain economies thereby. The Committee is made up of two sections of three members each, one section representing the Canadian Pacific and the other section representing the Canadian National. But during the adjournment which followed our opening sittings, Colonel Biggar met those gentlemen and came to the conclusion that the chairmen of the two sections should first be heard, that is Mr. Fairweather and Mr. Armstrong. We heard those two gentlemen. Then it was decided that we should hear from the higher officials, the executives. So, Sir Edward Beatty followed Mr. Armstrong. Sir Edward made statements, which were confirmed by heads of various departments of the Canadian Pacific. Continuing along the same lines this morning, we have Mr. Hungerford here, and he very likely will do as Sir Edward Beatty did and ask the committee to allow his experts to follow him. I mention that in order to dispel any idea that we are placing the two railways in opposition to each other here. We are simply facing one with the evidence of the other because this is the only way in which we can get expert evidence. It is with that end in view that we are proceeding in the way that we have been.

Hon. Mr. BLACK: Mr. Chairman, may I make a request? I think we are now thoroughly familiar with the proposed abandonment of lines suggested by the Canadian Pacific. A good many of us, I imagine, were surprised to find that line abandonment was not nearly as important a feature as we had thought it was. In their original statement the Canadian Pacific recommended abandonment of something over 5,000 miles, and the Canadian National suggested abandonment of something over 2,000 miles. Now, the mileage which the Canadian Pacific proposed for abandonment is indicated on the map by tick marks, and it seems to me it would be very helpful if these marks were removed and new ones placed on the map to indicate the abandonment suggested by the Canadian National. This procedure would I think be useful to us when the time comes for us to make our report. I make my suggestion subject to the wishes of other members of the Committee.

Hon. Mr. DANDURAND: I suppose that when we are through with the evidence that point will have been covered.

Hon. Mr. BLACK: My suggestion will not have been met unless the markings indicating Canadian Pacific proposed abandonment are removed from the map and replaced by markings indicating Canadian National proposed abandonments.

Mr. BIGGAR: It occurred to me that it would be unfortunate to remove the black tape markings from the map, but that the point Senator Black has raised might very well be met if some white adhesive tape were placed over the black to show the Canadian National proposals.

Hon. Mr. BLACK: Quite all right. That is just what I wanted to go something like that.

The CHAIRMAN (Right Hon. Mr. Graham): We have had a great many requests from individuals, municipalities and organizations of various kinds for an opportunity to be heard before this Committee. One such request came from the town of Sioux Lookout, Ontario, and I suggested to the Mayor that we could not very well give him an opportunity to be heard, but if a resolution were sent in we should see that it was placed before the Committee. I have not received a communication from the Mayor of Sioux Lookout, and I would ask the Clerk to read it to you.

The CLERK: This is the letter:

TOWN OF SIOUX LOOKOUT

Sioux Lookout, Ont., June 1, 1938.

The Rt. Hon. SENATOR GEORGE P. GRAHAM,
Chairman, Senate Railway Inquiry Committee,
Ottawa, Ontario.

Memo Re—Railway Unification

DEAR SIR:

As Mayor of the largest town between Capreol and Transcona, the territory taking in some one thousand miles of the Canadian National Railway Lines, which is proposed to be abandoned under the C.P. scheme of unification, I am at the direction of a thoroughly aroused people directed to place before your honourable committee some of the facts as it affects my town and the surrounding district.

I may say that you will find that the statements which I make in this memorandum will be found in direct variance with statements already made by C.P.R. representatives before this committee, and I respectfully propose to show to your honourable body that a deliberate attempt would seem to have been made to leave with you and through the press to the people of Canada an absolutely inaccurate picture of what abandonment of this piece of C.N.R. track would mean to the people living in the north country, and would seek to minimize the terrific human sacrifice the wholesale human suffering, this abandonment would entail on the part of these people.

It would seem that the statements made to your honourable body by C.P.R. representatives, as reported in the press, were made for the purpose of belittling the importance of the area before mentioned, both from a standpoint of property and human values and from an industrial and railroad standpoint.

Permit me to point out one specific instance of such misrepresentation. It was reported through the press that C.P.R. General Superintendent McNab, informed you that there were only some 3,500 people between Long Lac and Transcona, a distance of some 671 miles.

May I respectfully be permitted to classify that statement as being so ridiculously inaccurate as to expose the fact that Mr. McNab is utterly unfamiliar with Northern Ontario and it would seem that he made the statement more to an eye to its value as public propaganda than to desire to furnish your honourable body with reliable information.

I make this direct statement that you may find 3,500 people within a radius of twelve miles of the town of Sioux Lookout alone, and let me say that I am not including any miners or trappers.

The town of Sioux Lookout alone has an assessment roll of nearly \$900,000 and a property value of at least \$1,800,000, including municipal improvements. This town was built by the thrift and industry and savings of those who believe in this district and who never dreamed that their means of communication would ever be taken away.

From an industrial standpoint, the proposed abandonment of these C.N. lines would retard and probably halt the mining development of Northern Ontario, which promises to be the most important industry in Canada.

Within a radius of 100 miles of Sioux Lookout, there are no less than seven producing mines, market valuation \$28,500,000. In addition to this, and I base my statements on my knowledge of the north country as a mining man, there are not less than nine near producing mines with a market valuation \$22,500,000, a total of \$51,000,000.

The milling plants for these nine properties and others have still to be freighted in. This would be impossible without the Canadian National Line.

There is at least five thousand people engaged in mining in that district—ninety per cent of the freight is shipped to these mines by water from Hudson and other points along the Canadian National Lines.

I would again point to a specific instance where misrepresentation has been supplied your committee. C.P.R. General Superintendent McNab is reported to have told you that the mining business and transportation of freight to the Red Lake country could be readily handled from a point on the C.P.R. I make this statement that 15 out of every 16 tons of freight shipped into the Red Lake country from the town of Hudson on the C.N.R. and is shipped from rail head by the water route. The other ton is shipped by airplane.

It is a known fact that the C.P.R. could make no other connection with Red Lake than by airplane. I would point out that a great percentage of the bulky freight shipped to Red Lake by water in the first place could not be shipped by airplane and the terrific increase in the cost of transportation through an all-airplane route would put your Northern Ontario mines out of business.

I would swing for one moment to a brief survey of a wider territory. Between the towns of Capreol and Transcona, you may find property values, made up of the homes of workers totalling a sum of at least \$8,000,000. You will find in that area a population of at least 22,000. These figures are based on first hand information from the organized towns and a thorough familiarity with the smaller towns involved. You will find at least ten saw-mills in that area giving employment through bush operations to thousands of men. You will find at least four of these saw-mills at, and within, ten miles of Sioux Lookout.

In conclusion, I might say it would be too much to ask that the interests of the individual, or of a single community, should be placed above the interests of the nation, but I respectfully submit to your honourable body that, on the one hand, you have problematical savings in railway operations about which even railway experts disagree, and, on the other hand, you have the known fact that railway unification, as proposed, would leave a trail of ghost towns across Canada—would cause terrific suffering to thousands—would result in a huge inflation of relief rolls—would wipe out the life savings of thousands of Canadian citizens and, with unification an accomplished fact, would render desolate that part of Canada affected for generations to come.

I would ask one more question. Mr. McNab, when making the statement that the interests of the people of Hornepayne were paramount, said that transportation will still be afforded the town of Hornepayne. My question is when you abandon this part of the Canadian National Railway who will be left at Hornepayne who will require transportation.

The people of Northern Ontario look forward to you, Senator Graham, to have the facts placed before your committee.

Yours respectfully,

(Sgn.) JNO. L. MORAN,

Mayor.

Hon. Mr. DANDURAND: Mr. Chairman, would you allow me to express an opinion to the committee? I thought that we should proceed with the evidence to be offered this morning by the representatives of the Canadian National Railways who, since 1934 and before, have been in contact with the Canadian Pacific representatives in reference to co-operation or unification, and that in the meantime our esteemed chairman would examine any communications which reach us from the outside and give us a summary of them later. Already a dozen or two communications have reached me. Some I have read and others of forty and fifty pages in length I have asked my secretary to summarize.

The CHAIRMAN (Right Hon. Mr. Graham): We have no secretary.

Hon. Mr. DANDURAND: I was under the impression that we were to deal with any communications from outside until this evidence is closed.

The CHAIRMAN (Right Hon. Mr. Graham): I think it is a good idea and that we had better not discuss it. I think my honourable friend really means to say, "Let us get on with our work." Senator Beaubien and myself, as well as the leaders and other members of the committee have received letters, but possibly not so many have received resolutions from towns and cities.

When we last met we suggested, with some force, that we should make no use of the evidence and refrain from asking the witnesses questions until they were through. I am not sure that we succeeded very well along that line.

Son. Hon. MEMBERS: Oh, oh.

The CHAIRMAN (Right Hon. Mr. Graham): But it was the best we could do. My brother chairman and I desire to repeat that suggestion, in the hope that it will shorten the proceedings. Let us allow the gentlemen to express their views or give their testimony without interruption, unless under trying circumstances and then we can ask them any questions we like on what they have said. Gentlemen, if that suggestion is not a success, don't blame us. Often suggestions of this kind are made in committees and do not work out at all. My confrere says that I should say something about holding the communications until we get through as was suggested by Senator Dandurand. We have plenty of them, and, perhaps, when we look through them we will find that the ground has been covered. Meantime I suggest, and I think you will agree with me, that we should not have any more letters before the committee until we get through with the heavy work.

Mr. BIGGAR: Mr. Chairman, the committee is anxious to hear Mr. Hungerford, who is here, and he should not be detained. I have half a dozen documents that were asked for last week, ready to put in, but I think we might postpone them until we have heard Mr. Hungerford.

Some hon. SENATORS: Hear, hear.

S. J. HUNGERFORD, Chairman and President, Canadian National Railways, was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Hungerford, you have attended here to-day at the request of the committee for the purpose of assisting the committee in dealing with their reference from the Senate. I need hardly remind you what the terms of that reference are. The committee is asked to report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto. I understand that you have some submissions to make with regard to that situation, and that you have reduced them to writing and are prepared to open with them.—A. That is quite correct. I thought it would save the time of the honourable committee if my views were more or less condensed.

Q. And copies of that are available to the members of the committee, and are being distributed?—A. I believe so.

Q. Now, Mr. Hungerford, will you go on, please?—A. I have to apologize for my voice. I am not sure that I can speak clearly enough to enable you to hear, but I will do my best.

Honourable Senators: Having been requested to appear before you, I reviewed the proceedings of this Committee and in accordance with the approach to the problem, as developed therein, I believe you would first desire to have my views on unification and on the estimate of 75 million dollars per year saving which has been put forward to support it, and then my views on the general situation.

The railway problem was examined by the Royal Commission on Transportation in 1931 and in 1932, and as one who appeared before that Commission, I can bear testimony to the very careful and searching inquiry which was made of the merits of unification. The conclusions arrived at by the Royal Commission bear the stamp of careful and considered judgment on a difficult and complicated matter. Unification, as suggested to the Royal Commission by the Canadian Pacific, was rejected and a policy of enforced co-operation was recommended. These are the conclusions which impartial study would appear to warrant. It is my considered judgment that these conclusions are as sound to-day as they were in 1932.

The Chairman and President of the C.P.R. in his evidence before this Committee has told you of his surprise at the findings of the Royal Commission. I, on my part, was surprised at the subsequent institution by the Canadian Pacific of a policy of pressing publicly for unification. I cannot but feel that the atmosphere created by this policy has made co-operation between the properties less effective than it otherwise might have been. The management of the Canadian National Railways has not carried on a public controversy as to the merits or otherwise of unification and the reiteration of one side of the case may have created an impression that there is no reasonable and logical answer to it, which is not correct.

As part of the advocacy of unification, the income deficits of the Canadian National Railways have been constantly stressed and there have been statements that the accounting of the system since the passage of the Refinancing Act in 1937 is improper; also, while I cannot believe that it was part of the policy of the Canadian Pacific Railway, there has been a continuing attack by self-styled experts and writers upon the administration of the Canadian National properties. In a democracy it must be expected that State owned enterprises will be subjected to criticism and attack, especially in periods of depression and to be engaged continually in public controversy answering uninformed statements would, it was felt, give to this type of criticism a greater weight than it deserved.

From time to time, however, it is well to examine the fundamentals of our railway transportation system and we should at no time overlook any opportunity of bettering it.

Reduced to simple terms, the case submitted by the Canadian Pacific to this Honourable Committee is that an unwise venture of the State into the railway field has produced the greatest danger to the future of the nation by the creation of the Canadian National Railways; that this danger can only be removed by unification and that savings of \$75,000,000 a year would result.

I cannot agree that the creation of the Canadian National Railways as a State owned and controlled public utility is a danger to Canada, much less the greatest danger to the future of the nation. Those who hold and express such views overlook the great measure of public service performed by the Canadian National Railways System in the development of Canada and in furnishing railway transportation to communities to which, as parts of this Dominion, they are entitled but which it is impossible to provide on a paying basis judged by railway profits.

The history of the formation of the Canadian National Railways System is that public service demanded the continued operation of roads which found it impossible to continue operations on a profit basis. The public need for service existed, and still exists, and the only instrumentality of providing that service was the lines of railway now incorporated in the Canadian National System. If, as was the case, it proved impossible to operate these lines under private ownership at a profit and if they render a needed public service, it seems to me illogical not to expect a measure of financial encumbrance as a result of their continued operation in the public interest.

The wisdom of the formation of the Canadian National Railways cannot be judged solely from its financial results. There is a sounder justification for the operation of the property than railway profits. That justification is found in public service. I am firmly of the opinion that judged from that point of view the Canadian National Railways far from being a danger to the national existence has aided in large degree, and is continuing to aid, in the development of the country. Amounts by which the property fails to earn interest on bonded indebtedness are more than offset by these features.

In the administration of this property there is always taking place a balancing of two features; on the one hand the real need of service to the public and on the other hand a requirement to render the property self-sustaining. That it has never since 1923 failed to meet its operating expenses, notwithstanding the great depression, and that during the years of prosperity it succeeded in earning its interest charges to the public is a remarkable achievement having regard to the condition of the properties when they were taken over by the Government and the requirements of public service which it was necessary to meet.

There is a tendency to consider the income deficits of the Canadian National as deficits arising out of the operation of the property, but this is not so. The property, in fact, has a very great earning capacity under normal traffic conditions. For the 15-year period, 1923-1937 inclusive, its operating revenues exceeded its operating expenses by \$361,346,000, or an average of \$24,090,000 per annum. Even in the years of depressed earnings, 1932 to 1937 inclusive, the System earned \$71,567,000 in excess of its operating expenses, an average of \$11,928,000 per annum. In the five most prosperous years, 1925-1929, the property earned \$225,287,000 over its operating expenses, an average of \$45,057,000 per annum. These figures relate to the all-inclusive system. The deficits arise not from the operations but from the heavy burden of interest charges.

The potential earning power of the Canadian National System is very great and cannot be judged from any period in the past. As I have just indi-

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ated, an average of 45 millions of dollars was earned, after payment of operating expenses, in each of the 5 years 1925-1929 inclusive, despite the fact that during this period a program of rehabilitation of the properties was going on, involving very heavy operating charges. Under similar traffic conditions in the future, I am confident that the net earnings would be substantially greater.

While I cannot agree that the continued existence of the Canadian National Railways is the greatest danger to the nation, because I hold quite contrary views, I am, naturally, willing and anxious to examine the merits of any proposal for reducing railway transportation costs in this country. I might say here, however, that the cost of railway transport in relation to the work done, apart from interest on invested capital, is practically as low in Canada as in any other country in the world at all comparable to this Dominion. It is admittedly impossible to reduce invested capital to any considerable extent in any plan, however drastic; consequently it is fairly obvious that when you try to improve upon a performance which ranks with the best, assertions of savings need to be carefully scrutinized to see whether they hold real promise of being realizable. Perhaps I am in a specially favoured position to judge the practical economies to be expected from large-scale consolidation of railways, because in my experience I have gone through three such consolidations:—

- 1st—Consolidation of the Canadian Northern and Canadian Government Railways into the Canadian National Railways.
- 2nd—Consolidation of the Canadian National with the Grand Trunk Pacific.
- 3rd—Consolidation of the Canadian National with the Grand Trunk Railway.

My experience has been that large-scale economies are not produced from consolidations, and I speak not from theory but from experience. I do not mean to infer by this that very considerable improvement in the operating performance of the Canadian National Railways System has not taken place. In point of fact, since 1923 there has been a progressive improvement in the efficiency with which the operations have been carried on. I do want to make it clear, however, that this improvement has not, in a large degree, resulted from consolidation, but is mostly the result of improvements in the art of railroading and has been paralleled by the experience of railways in other countries. It is probably more closely related to the competitive principle than to any other single factor. Drastic abandonments of lines, service and facilities were not a factor and indeed, if attempted, would have defeated the very object for which the National Railways was formed.

Your Committee has before it from the Canadian Pacific an estimate of \$75,000,000 per year as being the realizable economies from unification. In my judgment, based upon my extensive experience in consolidations, savings of this order would never emerge.

In the absence of details as to what physical changes in facilities and services other than line abandonments are contemplated, it is impossible to deal in detail with the estimate, although if the Committee desire to have their views, the officers of the Canadian National Railways are available here for a critical examination of it in as much detail as the partial exposure of it will permit.

I find that the asserted savings of \$75,000,000 per year divide, upon examination, into two broad classifications:—

- 1st—Those savings which are based upon assumptions that the quantity of transportation service is greater and the quality of transportation service is higher than is needed, to which I have joined the asserted savings from a drastic program of abandonment of lines, the closing of stations, shops and other repair points and the consolidation of ancillary services. This group totals approximately \$55,000,000 a year.

2nd—Those savings which are based on the assumption that Canadian Pacific unit costs can be applied with propriety to Canadian National operations without due regard to differences in geographical distribution of lines and the relative traffic, maintenance and operating problems. This group totals approximately \$20,000,000 per year.

The assumptions which underlie assertions of such savings are, I believe unsound.

There is an assumption that Canada has entirely too much railway mileage and that a minimum of 5,000 miles of line should be torn up regardless of the pioneering service which much of it is performing.

There is an assumption that the quality of railway service in Canada is on too high a standard and that great savings can be made by reducing it without detrimentally affecting the commercial and industrial activity of the country.

There is an assumption that railway traffic can be forced to move over specified routes to suit economy of operation without regard to the requirements of industry.

There is an assumption that stations, terminals, roundhouses, repair points and main shops can be abandoned and rearranged to suit the convenience and economy of the railways alone without regard to the way in which the continued operation of these facilities affects the communities in which they are located and the country as a whole.

There is an assumption that Canadian Pacific unit costs are applicable to Canadian National operations notwithstanding the fact that the geographical distribution of lines, the nature of the traffic and operating problems are very considerably different.

There is an assumption that the savings which appear in the estimates are net savings, but there is no regard to offsetting features such as expenditures for changes in facilities, compensation to displaced labour, the loss to individuals occasioned by the withdrawal or restriction of railway service, loss of tax revenue and the loss to communities from the abandonment of facilities.

There is an assumption that the disturbance to the labour and material markets would be of no consequence.

Each of these assumptions must raise doubts in thoughtful minds as to the reliability of estimates based upon them and, in my opinion, these doubts will be confirmed in proportion as the details of the changes proposed to be made are disclosed.

Consider line abandonments, for instance. In advancing arguments in favour of unification before the Royal Commission, the Canadian Pacific placed line abandonments as the important initial step and stated that "the first task of the Committee was to determine what tracks it was considered could be abandoned if the properties were operated as a unit," and again, "We are confident that unification would permit an abandonment in excess of 5,000 miles," and yet again, "we put that (5,000 miles) as a minimum and not the maximum."

At the request of the Royal Commission, the Canadian Pacific furnished an estimate of the proportion of the total savings in railway operating expense due to line abandonments as being \$16,366,850 per year with the qualification that "due to the manner in which the figures were assembled for the exhibit this distribution has had to be made upon somewhat arbitrary lines."

Among the things which have emerged from your Committee's inquiry, it appears to be clear that the abandonment of 5,000 miles of railway in this country is not feasible, having regard to the public interest. I leave it to you

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judgment whether it would be in the best interests of this country to do what has been proposed in this instance. For my part, I cannot envisage setting the transportation clock of Canada back 30 years. The public interest is too much involved. I hold that much of the economy, based on other and undisclosed drastic changes, involving the abandonment of stations, roundhouses, terminals, shops, etc., and the degeneration of main lines into branch lines, if given a similar touch of reality by a disclosure of exactly what was contemplated, would likewise prove unsound and unrealizable.

The continuing insistence by the Canadian Pacific in evidence before this Committee that 5,000 miles of line can be abandoned (if not the lines in their program, then some other lines), may be taken as a faint warning of the attitude towards public service to be expected under unification.

I have used line abandonments as an example because it is only in line abandonments that there has been a complete disclosure of the program contemplated in unification. It is to be regretted that the Canadian Pacific has not given the details of the proposed curtailment of services and what shops, terminals, division points, roundhouses, stations, etc., it is proposed to abandon. The extent to which public interest is adversely affected may be gauged by this reluctance to give the details of just what is contemplated in the unification plan. The frank statements by Canadian Pacific officers that to divulge such information would impair relationships with the communities affected, is sufficient evidence to me that the general statement contained in the brief of the Canadian Pacific that the quality and quantity of transportation service in no part of the country would be seriously impaired, is incorrect. Nor can I accept the Canadian Pacific argument that since none of these things will be done without the prior consent of the Board of Railway Commissioners, the country need not concern itself with such matters at this time.

The real matter to be decided upon is whether the estimate of \$75,000,000 can, in fact, be realized. It makes no difference in that regard whether the refusal to contemplate such drastic changes is expressed now by public opinion or subsequently by a Commission acting in the public interest. Such exposure of the details as has taken place has confirmed my general belief that most of the economies of unification are incapable of realization.

Most of the economies which are realizable in a practical sense, in that they relate to economies which can be really made effective without unduly impairing the public interest, will be found upon examination to be obtainable under the principle of co-operation and the country need not incur all of the unknown perils of unification in order to obtain these economies.

It is entirely feasible under co-operation to arrange for the abandonment of one of two closely paralleling lines of railway where public interest is not adversely affected. It is feasible under co-operation to make arrangements for joint stations and terminals where an economy is indicated. It is feasible to arrange for the handling of one company's traffic over another company's line. It is feasible to eliminate duplicate competitive passenger train services to the extent justifiable in the public interest. It is feasible to deal co-operatively with ancillary services. Types of all of these economies have been explored and have been demonstrated as entirely practicable and workable.

The second classification which I have made of the \$75,000,000 estimate relates to the treatment by the Canadian Pacific of the operating costs of the unified system. It is an unwarranted assumption that statistical averages of the Canadian Pacific performance can be used to determine the operating costs of the Canadian National Railways without reference to the differences between the maintenance and operating problems of the Canadian Pacific and the National System. Add to this the narrow basis upon which the comparative operating costs are based, namely, the single year 1930, and it becomes apparent that the \$20,000,000 is a mere statistical conjecture.

The Canadian National Railways, from the onset of the depression in the fall of 1929 until about the middle of 1930, pursued a policy of maintaining at work on the property all of its staff for which legitimate employment could be found, rather than taking the drastic step of wholesale dismissals, closing down of shops, etc. This policy, whether well-founded or not, was publicly announced and supported in Parliament. Such a policy pursued at a time of falling traffic, naturally affected the 1930 basis of unit costs on the Canadian National.

The inference which has been drawn from this manner of treating the operating costs, namely, that the Canadian National is less efficient in its management than the Canadian Pacific, I desire most emphatically to deny. While there is a superficial similarity between the two systems, there are wide differences between them as regards the property and facilities to be maintained.

The nature and volume of the traffic handled by the two systems is also considerably different and these factors have a bearing upon operating costs through the average car load, through the average haul and through terminal operations, which are much more complicated in the case of the Canadian National on account of its dominance in the industrial section of Canada and its lines in the United States.

The average volume of traffic per mile of line on the Canadian National is less than on the Canadian Pacific and this has an adverse effect upon the comparative operating results because on the average the Canadian National has to maintain and operate more mileage of lines than the Canadian Pacific to earn the same gross revenue. Development on the pioneering lines of the system will remedy this disparity, but it is one which exists at the present time.

The Canadian Pacific witnesses have admitted a lack of detailed knowledge of Canadian National traffic and operating conditions and have based their comparisons upon a presumed comparability of Blue Book statistics, whereas it is well known to railroad people in this country that the Blue Book statistics on railways lack comparability to such a degree that the Minister of Transport has set up a Joint Committee of Canadian railway officers and of Government officials to develop a uniform method of reporting.

The historical development of the Canadian National System, which is a consolidation of four other systems must also be taken into account. In any event, 1930 is now eight years behind us and I do not believe that figures which are so much out of date can safely be used to draw conclusions with regard to present and future operations. Since that time both railway systems have effected many changes leading to a reduction in operating expenses. In that connection, I most earnestly desire to assure the Committee and the Canadian people that the National Railways is being operated at a minimum of expense consistent with the requirements of public service. It is my considered judgment that no portion of the \$20,000,000 per year savings arrived at by applying statistical averages to conditions which are not comparable, could be realized. If you desire further evidence supporting this conclusion, I shall be pleased to have the officers of the company who are here supply it.

To sum up my position with regard to the asserted economies from unification or amalgamation, it is my judgment that they are largely unrealizable. Railway savings purchased at the expense of the development of Canada and of a wide disturbance in the already disturbed labour and material markets of the country would be too dearly obtained. The country instead of being better off would be worse off. Yet it is only to the extent that a program of drastic reduction in expenses could be achieved that the country would be warranted in inviting the perils of monopoly and of the great difficulties which I foresee in the type of management of the joint enterprise which is now proposed. It is my opinion that monopoly does not make for efficiency. I do feel that there is a very grave danger of a slackening of the morale of the organization, of a lessening of initiative and enthusiasm, a loss of sympathetic contact

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between the management and the men and between the management and the public. These risks are, in my opinion, so great that they could only be offset by the reality of substantial economies on a scale which I, for my part, cannot envisage.

That there are financial risks involved in unification cannot be gainsaid. The Canadian Pacific has made very plain that unification, while it contemplates the technical preservation of the respective ownerships of the properties, really consists of a permanent fusion of the physical properties and of the organizations into an indivisible unit. The State, as represented by the Canadian National, and private ownership, as represented by the Canadian Pacific, are to go into a partnership on some terms as yet undisclosed.

In the absence of knowledge of the exact terms of the proposed partnership it would be idle to speculate upon this aspect of unification, although it may be fitting to remark that a partnership between such diverse interests as public and private ownership is liable to produce a number of unforeseen problems which might conceivably involve the State to an extent never contemplated in the original contract. The reason I hold this view is that there would tend to be a conflict of interests in a partnership between the public on the one hand and private interests on the other. Public interest is properly and primarily concerned with the use of the railway property for purposes of national development and dividends. The Joint Board of Directors representing such diverse interests would, in my opinion, quickly get into difficulties and, since the properties could not be unscrambled, the State could only break the stalemate which would result either by acquiring the Canadian Pacific property or by making some concession in the form of guarantees or otherwise. The present proposal for unification has neither the merits of public or of private ownership and, in my opinion, is impractical and would conceivably lead to serious involvement of the State.

I have previously indicated that I am in favour of a policy of enforced co-operation to eliminate any waste or duplication of effort where such could be accomplished without unduly weakening the benefits of competitive incentive or of unduly reducing the services which the railways render to the public. I would emphasize again, however, that we must not mistake railway economies, purchased at the expense of the public at large, as being true economies in the national interest. Within this reservation there is a considerable opportunity for effecting savings by enforced co-operation, not only as regards the elimination of duplicate facilities and the elimination of wasteful effort, but also the prevention of additional duplications in the future.

I think these considerations are sufficient to justify a policy of enforced co-operation and the only question in my mind is the best machinery for making that policy effective.

I have previously referred to the unfavourable atmosphere under which co-operation has been attempted in the past five years. It may be that if this Senate inquiry could dispose finally of unification as an alternative to co-operation, that greater progress in achieving co-operative economies will be made in the future.

Furthermore, from the experience gained in the past five years, I suggest that serious consideration be given to the setting up, for a period of years, of a public body to deal with co-operation. This body should, in my opinion, be made up of three people, one representing the Canadian National Railways, one representing the Canadian Pacific Railway, and a Chairman representing the public interest.

Such a body need not be permanent, but might with profit be appointed for a 5-year term. It should be charged with the exploration of the whole field of possible co-operative measures and the development of specific co-

operative projects. It should be its duty to endeavour to secure agreement of the two railways to all such proposals as are feasible, productive of economy, and in the public interest.

The reports of the body on specific projects should in all cases be made public at the time a majority decision is arrived at, because I feel an informed public opinion on specific co-operative projects would be very helpful to railway executives in considering co-operative measures.

In cases where public interest and economy indicate that a measure should be made effective, but in regard to which either railway company refuses to agree, compulsion should be invoked through the medium of the arbitral tribunal provided for in the present Act. I would suggest, however, that instead of leaving this to the discretion of the railway companies, it should follow automatically after a reasonable stated time had elapsed from the date of the publication of the report.

A report of all the activities of the body should be made to Parliament each year.

The Chairman and President of the Canadian Pacific in evidence before this Committee has expressed the view that some such body might be of assistance in furthering co-operation, but finds the idea of compulsion distasteful and argues that enforced co-operation is an undesirable invasion of the rights of private enterprise. My answer to this is simple. I know of no country in which private ownership of railways exists in which the State does not reserve to itself the right to exercise compulsion in the public interest and, in this Dominion, it is specifically provided for in the Canadian National-Canadian Pacific Act.

If it secures unification, the Canadian Pacific has indicated a willingness to submit to compulsion in the public interest through the medium of an over-riding commission having wide powers. It is not clear if the principle of compulsion is proper in unification why it should not be proper in co-operation.

It has been suggested that co-operation is only successful to the extent that it destroys competition and that proceeding logically, therefore, it has the same goal as unification. This would be true if through co-operation the drastic abandonments contemplated in unification, as submitted by the Canadian Pacific Railway were attempted, but co-operation, as I envisage it, is limited to practical economies which can be justified as being in the public interest; nor is it designed to completely eliminate competition. In fact, its object is to maintain a state of healthful competition while eliminating obvious existing duplications and preventing duplications in the future.

It has been argued that co-operation and competition are incompatible terms and that so long as the competitive element is permitted to exist little can be expected from co-operation. My answer to this is that given a will to co-operate, substantial economies would result. That has been demonstrated time and again. I would go further and say that if an opportunity for economy in the public interest exists and the will to co-operate does not exist in the railways, compulsion is quite justifiable in the public interest.

In conclusion I would say that the difficulties in which railways of this country find themselves at the present time are the direct result of the depression in trade and the general disturbances in economic conditions throughout the world. I know of no magic by which this fundamental situation can be cured. Fundamentally a solution must await the return of a more normal flow of production, commerce and trade. I know there are those who view the present condition of affairs as permanent and who ask whether we can continue as a nation to bear the cost of rail transportation on the present scale. It is instructive in that connection to consider the general economic conditions

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of the country. All things considered, Canada has suffered less from the depression than other countries. It is a really remarkable fact that last year the national income exceeded the national outgo by over 500 millions of dollars and, in consequence, Canada, as a people, actually reduced its debt to the rest of the world and added to its store of wealth. Such a record does not support a pessimistic outlook or justify a policy of defeatism. Canada has vast potentialities of wealth production and railway service is essential in developing them. We may have built our railways somewhat in advance of immediate requirements, but, generally speaking, they are well located and admirably adapted to the requirements of the country. Railway transport is still by long odds the cheapest form of land transport and this gives the industry a great advantage over its competitors. The problems facing the railway in the way of highway, water and air transport competition are difficult, but not insolvable. At the moment we face a situation of increased railway costs and decreased railway traffic and admittedly that is a serious matter so far as the immediate prospect is concerned, but I am not prepared to admit that this is a permanent condition.

The Canadian Pacific in its submission has stated that the Canadian Pacific Railway, even under depressed conditions, can carry on and meet its fixed charges. For the Canadian National that is impossible. The property can, however, pay all of its operating expenses out of revenues, notwithstanding the disabilities in the way of rendering pioneering and public services, to which I have previously alluded, and the Canadian National is in a position to quickly show substantial increased net earnings with increases in the general level of business activity in this country.

I have previously alluded to the great potentialities of the property and have stated that no period in the past can be taken as indicative of its real earning power. The Canadian National has far greater potentialities than its principal rival in Canada or for that matter than any other railway on the continent because no other railway is so well located in relation to the natural resources of the northern half of this continent.

One of Canada's chief natural resources on which the great pulp and paper and cellulose industries depend is the vast coniferous forests in northern Ontario and Quebec, served almost exclusively by the Canadian National. From the point of view of mineral development, we are only beginning to realize the wealth which is stored in the geological formation known as the Laurentian Shield, which extends from the Mackenzie River Basin to the Labrador Coast. The Canadian National Railways traverses the Laurentian Shield with main and branch lines and it is, therefore, no accident that most of the mining development which has taken place in Canada in the last 10 years has been along the lines of the Canadian National.

Consider too, that in the highly industrialized section of the country, which will continue to draw its stimulus from the development of the north, the Canadian National is pre-eminent in serving every industrial centre and I think you will realize the truth of what I have said, that the potentialities of the System are very great. If development takes place without a needless duplication of lines of railway, which would serve only to increase expenses and divide the traffic, the broad outlook for the development of traffic on the lines of the Canadian National Railways is decidedly encouraging.

Throughout the depression the property of the Canadian National has been improved in its inherent efficiency. There is no considerable amount of deferred maintenance to be picked up and, from all of these points of view, we may look to the future with a degree of confidence. In the meantime the wise policy, as I see it, is to conserve the property.

Q. Mr. Hungerford, the main point that you make, as I have followed your submission, is that railway transportation is really an activity that is carried on

in the public interest; that it is not primarily an activity for private profit. Am I right in that?—A. Well, I suppose it is both to a degree, but it partakes of the nature of a necessary public service.

Q. But your memorandum emphasizes, and I think perfectly properly, that considerations of public interest have affected the character of the Canadian National Railways and the character of the service that they give. I am right in that, am I not?—A. I think so.

Q. Now, really, the problem before the committee is how much the taxpayer can afford to pay for these transportation facilities. The more of them there are, of course, the better the public interest will be served, and I think I should perhaps first direct your attention to the situation in that respect. You will remember, no doubt, that in discussing this subject with you six years ago the present Chief Justice of Canada in the course of the commission proceedings referred to the condition of the Canadian National and the Canadian Pacific in 1932 from a financial point of view as desperate. That was the expression he used. It is at page 2521 of the Proceedings of the Commission, and if you have not a memory of it I will refer you to it.—A. I remember a great deal of the proceedings, but not that particular item.

Q. It is just towards the end of the proceedings of the inquiry. What Mr. Justice Duff, as he then was, said in speaking to you, was this:—

Of course, Sir Joseph has put it in such a way that there is no necessity whatever to repeat it. Of course, the economic situation is a desperate one. You can conceive of an economic situation where you would be told by the Government, well, there is no more money. Let us suppose that it is not so severe as that. There may be money expended for trestles and to keep the line in such a state of efficiency that it would permit the running of trains over it. In other words, to avoid the expenditure of money would really be criminality. Suppose the financial situation is such that there is no money for anything other than that, what would be the effect?

He was speaking about the economic situation then. And since 1931, which was the last year that was under consideration by that commission, it appears that the amount that has been contributed by the Government to the Canadian National Railways—you will find it at page 52 of these Proceedings—is 301 million dollars, or \$50,000,000 a year. And I find that the total ordinary revenue of Canada during the same six years was 1,867.94 millions, so that the amount that went into the Canadian National is 16.13 per cent of the total revenue of Canada for those six years. Now, I should be glad if you would direct your attention to how far it is justifiable for Canada to spend some one-sixth of its total revenue in providing, in the public interest, transportation service by the Canadian National Railways.—A. Would you repeat the question, please?

Q. What I want to direct your attention to is the position presented by the fact that during the last six years since Sir Lyman Duff referred to the situation as desperate, 301.2 millions have gone into the Canadian National for deficit or 16.13 per cent of the total revenues of Canada, the total ordinary revenues of Canada.—A. You mean the total wealth production?

Q. No, the total revenue, the total tax revenue. I was thinking of what this means in terms of taxes. For example, the total revenue of Canada for last year, when it was considerably higher than in any previous year, was \$445,000,000, and \$42,000,000 of that, or about 10 per cent, went into the Canadian National. In the previous year the revenue was \$372,000,000, and the year previous to that it was \$304,000,000; then it dropped into the \$200,000,000 of the previous year. Now, really that is what the committee is concerned with. That is what the terms of reference of the committee are directed to. I w

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hinking in terms of taxes. Suppose the tax burden of this country could be reduced by 16·13 per cent by the elimination of that obligation to meet deficits—
—A. My answer is that I know of no means by which it can be done.

Q. You see, it really comes home to all of us. If one-sixth of that \$40,000,000 odd be taken off the income tax, it is, roughly speaking, 30 per cent of the total received. That is our real difficulty, Mr. Hungerford. It is not a question of particular figures; it is really a question of getting out of a very difficult situation here in Canada. Our whole war pensions are no more expensive than the Canadian National Railways.—A. After all, railway service is probably the most useful and efficient tool for producing wealth in the country, and the country unquestionably gets a very substantial benefit through the provision of this railway service.

Q. I agree. I concede at once that there are national advantages in running unprofitable railways. But the question is how far can this country afford that luxury?—A. Well, if relief is to be set up on the abandonment of the railway and the service entirely, you simply change the incidence of the burden. You would improve the railway situation, but the burden of supporting the people is transferred to other agencies.

Q. Let me call your attention to that interesting graph that the Bureau of Statistics furnished us and which appears at page 63 of the Proceedings. There you will find that the share of the economic results that has been obtained by the railway has been dropping ever since 1923, which is as far back as our figures carry us. What is going to happen?—A. Well, no one can predict what is going to happen, but one thing is very evident, and that is that the business of this country cannot be carried on without substantially the present volume of railway service.

Q. But can it be carried on with a volume of railway service which costs 10, 15 or 16 per cent of the total revenue of the country? It is a constructive suggestion that we really need. How are we going to get out of that difficulty? Sir Edward Beatty has put it quite clearly in his submission that ever since 1917, when the Drayton-Acworth report was made, there has been a continuous suggestion from certain quarters that were interested in national railway transportation, "Wait and see. We will do better some time soon." Yet, instead of doing better, we are actually faced in 1938 with a situation which is very much more serious than the one we were facing in 1917; very much more serious than the one in 1925 or in 1932. Now, what is your suggestion about meeting that situation?—A. Just exactly what it was before the Royal Commission.

Right Hon. Mr. MEIGHEN: Another Royal Commission.

The WITNESS: To carry on as economically as possible, to restrict capital expenditure.

By Mr. Biggar:

Q. You are doing that now, aren't you?—A. Yes. Then, persisting that.

Q. You are doing it as economically now as you can possibly do it, consistently with what the railway administration regards as public interest, is that not so?—A. Well, that question of the public interest is usually to a very large extent determined by the Board of Railway Commissioners.

Q. No, I do not think that is an answer to my question. That is the basis upon which you are operating the road, as economically as it can be operated?—A. Yes.

Q. That is, as economically as it can be operated, consistently with your view of the public interest?—A. Yes.

Q. Suppose you had a different view of the public interest, could it be operated for less money, with less burden on the revenue?—A. It might possibly be, yes, it might be operated at a lower cost for the railway, but from my point of view it would be simply a transference of the burden.

Q. But is not that a political rather than a railway problem?—A. Possibly.

Q. May I call your attention to what your predecessor said to the Dufferin Commission, as it appears at page 1038 of our proceedings? He is quoted there as having said:—

One of the inherent disadvantages of any state-owned enterprise such as the Canadian National Railway, is the problem of political interference—and one might also add, public pressure. In making this statement I wish it distinctly understood that I imply no criticism of any party or any government, present or past. I merely state a fundamental and universally admitted condition.

The leaders of all political parties and the people of Canada as a whole are a unit in their desire to prevent political invasion of the Canadian National Railway. But the plain fact is that irrespective of such wishes and desires, the problem presents difficulties beyond the control of our leaders, be they ever so patriotic or high minded. After all in any form of popular government it must be accepted as axiomatic that the business of government is politics and, irrespective of whether one likes it or not, politics is something with which a government must reckon in all of its activities.

Now, is that not really the position, that it is the public interest and the political considerations which have determined the losses of the Canadian National?—

A. No, I would not say that.

Q. That, in other words, it is the public interest which has determined the level of the service and which does now prevent you from making economies?—A. That if you were operating this line for private shareholders you would be absolutely obliged to make?—A. If you could get authority to do it.

Q. Exactly, if you could get authority.—A. If you could get it.

Q. But you cannot get authority now, because every time you seek to throw men out of work there is a political flurry?—A. Well, let me say one thing, if I may.

Q. Yes.—A. So far as the ordinary operation of the railway is concerned it is carried on like that of any other railway, and, I think, with the same degree of efficiency. We are endeavouring to bring it to the highest state of efficiency, and we have made very substantial progress so far as that is concerned. But there is no question but what we have burdens to carry in the way of service that, judged by all past experience, we could not possibly get rid of if we attempted to do so. I could show you line after line of railway on which we provide a service at a loss, and I am sure that you would agree with me immediately that it would be quite hopeless to make an attempt or expect to be permitted to withdraw service from those lines. Recognizing that fact the only thing that is open to the management of the Canadian National Railways to do is to provide the service that is insisted upon as being in the interest of the public upon those lines, and provide that service as economical and suitably as possible.

Q. I agree. I am conceding that whole situation. But it is a fact that if you were operating this line for private shareholders who were not able to supply \$50,000,000 of a deficit every year, you would cut down expenses in a way that you cannot do under the present circumstances?—A. We would do so, Mr. Biggar, if we could get the power to do it.

Q. In other words, it is true that there are shops that you cannot close because of the political storm that would follow—I do not care what government was in power. Whatever government was in power there would be a political storm if you, for example, made a change in your roundhouses at the Lachine head, or at Winnipeg?—A. No. It is quite possible that we have more trouble

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more representations and things of that kind, than a private company would; but in general and to a maximum extent carry on, I think, as an ordinary railroad would.

Q. But do you? I mean, for example, in the St. Henry election just this year, the question of the Montreal terminals and proceeding with them was an active political question, was it not?—A. I heard of it.

Q. There is no question about its having been discussed, and it was proposed that it should be carried on. I am not blaming anybody. It is a matter of course, is it not?—A. The railway management was not involved in that.

Q. No. That is just my point, that the railway management had nothing to do with it. It was done on behalf of the owners of the Canadian National. Now, what would happen, suppose that this was a private organization and it was not a question of operating this railway in the public interest at an expense of \$50,000,000 a year?—A. My point with regard to that is that public opinion and public requirements would have to be considered, irrespective of whether there was unified management.

Q. I am not speaking about unification at all. Suppose that the Canadian National was not a government enterprise, it certainly could not be carried on on the present footing?—A. Certainly not.

Q. Private people would not put in \$50,000,000 a year, would they?—A. No.

Q. Let us carry that just a little further. Suppose that there had been a company, private people, who had put in all the money that Canada has put into the Canadian National Railways, and suppose that it had been carried on in the same way until it had got to the present point and that then it just threw up its hands, and the owners would not supply any more money at all. I am just putting it to you on the supposition that Parliament said, "We cannot afford to pay one cent more." Now, what would happen to the Canadian National?—A. I think the Government would take it over, just as it did before.

Q. I put it to you, suppose the Government said, "We cannot pay any more money to the Canadian National," what would happen?—A. Well, you could not provide the service beyond a certain point.

Q. What is its value to private investors to-day?—A. I am sorry, I do not know that.

Q. You put it yourself to the Royal Commission that the value of any enterprise depends on its earnings. The quotation that I am referring to is at pages 2527 and 2528 of the Royal Commission. Now, what is the value of the Canadian National Railways undertaking to-day, on the basis of its earnings?—A. That depends on so many different things. I could not give you an answer offhand in regard to that.

Q. You have not changed your opinion with respect to the value of any undertaking depending on its earnings, have you?—A. No.

Q. Well, now, take the Canadian National as an instance of an undertaking, the value of which depends upon its earnings. What is its value? What could you get for it if you went into the market?—A. Well, that is something that it is very difficult to answer.

Q. Well, Mr. Fairweather thought that railways were a drug on the market. Wouldn't you say that the Canadian National could not be sold for anything except a nominal sum?—A. Possibly so. I cannot conceive of a private interest buying the Canadian National and assuming its obligations at the present time.

Q. Of course, I am not speaking about any obligations. How much could it earn suppose it was sold free of obligations and the purchase money applied against the obligations? How much could private people afford to come forward and offer the Dominion of Canada for this railway enterprise?—A. I would like to give you an answer a little later on, sir, may I? I cannot tell you that.

Hon. Mr. DANDURAND: How much would a syndicate offer when in 1926 the Canadian National earned \$40,000,000 above its operating expenses? What would it represent?

Mr. BIGGAR: Would it have bought on one year's record or on ten years' record? I looked at the statement appearing at pages 82 and 83 of the record. After all, the Canadian National organization was really put together in 1923, and you have got to allow a certain length of time to shake down.

Right Hon. Mr. MEIGHEN: The statute providing for its being put together was passed in 1921.

Mr. BIGGAR: The length of time that one gives an organization to shake down is just a question of judgment.

Q. Suppose one gives the Canadian National to 1927 to shake down. I am referring to part of Exhibit 26, at pages 82 and 83 of the proceedings, and I find that during the ten-year period the Canadian National's income before its fixed charges was \$164,793,673, that is for the whole ten years. That means an annual amount of approximately \$16,500,000, over and above operating expenses. Now, it seems to me that would not be an unfair way of getting at the value of the Canadian National, would it?—A. I would not think so.

Q. What would you think? I am only suggesting this because it is your view that we are after, not mine.—A. I am not trying to sell the railway.

Q. But you are trying to help this Committee to solve the problem of relieving the country from its extremely serious railway condition and the financial burden consequent thereto.—A. I tried to indicate the manner in which the burden could be lessened in the largest degree, having regard to the vital character of the public interest and service.

Q. But you have not dealt with the other point. How about this public interest business? I mean, is it not a little like a man who has an income of \$2,000 a year trying to live in a house the rental of which is \$1,800?

Hon. Mr. SINCLAIR: You are assuming, Mr. Biggar, the present control of freight rates?

Mr. BIGGAR: Yes. Mr. Hungerford has not raised the question of freight rates, but I suppose we shall have to speak to him about that before we finish.

By Mr. Biggar:

Q. What are we going to do about it, Mr. Hungerford? I do not want to press you to say what you do not want to say, but we have a real difficulty there, and that is what the committee is directing itself to.—A. In my opinion, considering the value of this railway service to the public and the influence that it has upon the production of wealth in the country, I think that what should be done is to continue as we are and to economize to the extent that public interest will permit.

Q. Who is going to determine public interest, members of Parliament, their respective constituencies, who are going to get into trouble if they are supporters of the Government and any economy is made in the Canadian National administration in their particular constituencies?—A. We try to strike a balance between what we regard as public need on the one hand and the necessity of operating as cheaply as possible on the other. As a matter of fact, it is checked very largely by the board representing public interest.

Q. I am troubled really about that, because Mr. Fairweather when he was examined before the committee said he thought, difficult as he found it, in terms of national interest, not in terms of railway interest whenever he could. Is not that the danger, instead of this railway being operated as a railway, it is operated as a national public work, that is, consistently with what is at the moment regarded as being the public interest, and that extends, as Sir Edward Beal

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put it, I think, throughout the whole organization of the Canadian National. Your job after all is to keep the Minister of Railways out of trouble; is it not?

—A. Oh, no.

The CHAIRMAN (Right Hon. Mr. Graham): It does not always succeed.

Hon. MEMBERS: Oh, oh.

Mr. BIGGAR: No.

By Mr. Biggar:

Q. Is not that true of the whole organization?—A. I confess I find it very difficult to express my views exactly in regard to this, but let me illustrate in a way. The type of public interest I have in mind may be illustrated, say, by the operation of the Gaspé line. That line does not pay.

By Hon. Mr. Dandurand:

Q. Running from Matapedia station straight on through Gaspé?—A. Yes, sir. I do not know that it ever will pay. I do not see any prospect of it ever paying, and yet it was considered essential that those people should have railway service. If we were going to act on the broad principle of only operating those services that pay, putting them on the basis on which a private company might operate them, then every one of those services would be wiped out. But we know perfectly well we could not possibly withdraw services from lines such as that. The public would not permit it.

By Mr. Biggar:

Q. Another point occurred to me in regard to that. I find according to the statistical returns given in Exhibit No. 26, I think it is, the total passenger revenue of the Canadian National was \$17,023,000 in 1936, which is only about less than half of this deficit. It struck me as an interesting comparison that the deficit on the Canadian National was more than double the total of what is put as passenger revenue. There is another figure of passenger train revenue of \$31,000,000. I am not quite sure what the relation between them is. Perhaps you can tell me.—A. I do not know.

Hon. Mr. McRAE: Colonel Biggar, in that connection, I think the freight and passenger business for last year would have to be advanced 25 per cent, and then would fall probably \$2,000,000 short of the probable deficit. That gets it down to freight and passenger business together.

Mr. BIGGAR: Yes.

Right Hon. Mr. MEIGHEN: Without increase of costs.

Hon. Mr. McRAE: Yes. You would still be short \$2,000,000 of the deficit.

By Mr. Biggar:

Q. Then am I to understand your position is that you cannot suggest any way of meeting this situation at all except by this scheme of compulsory co-operation that you have suggested?—A. I think that having regard to the value of the service to the public it is in the best interests of the country to proceed that way. I may be egotistical in expressing a view of that kind, but it is my opinion.

Q. We have been told by Mr. Fairweather that the utmost that can be reached by compulsory co-operation is an annual saving of \$10,000,000. It is not very clear whether the million and three-quarters already made was included in that or not, because Mr. Fairweather told us he could not break down the \$10,000,000. The Canadian Pacific told us their view was that the total that could be obtained from any kind of co-operation was \$11,000,000 odd, and from that is to be deducted the million and three-quarters. Does your view disagree with those?—A. With the amounts of the estimates?

Q. Yes; that we cannot look from compulsory co-operation to economies of more than about \$10,000,000 a year.—A. I have learned to distrust all estimates of that kind.

Q. Are you distrusting one more than the other?

By Right Hon. Mr. Meighen:

Q. What is your estimate?—A. As a matter of fact, I do not see how anyone can make an estimate accurately without investigating the whole situation. Without such investigation the figure is not an estimate; it is more or less of a guess.

By Mr. Biggar:

Q. My question is really this. You disagree with the views already expressed by several of the witnesses who have already appeared before the committee that the utmost to be hoped for in the way of economies from compulsory co-operation is about \$10,000,000 a year.—A. I would not limit it to that, sir. I would not place any figure on it because there is not sufficient knowledge of the matter to warrant any figure.

Q. But we have had those estimates given to us very seriously. What would you replace them with?—A. They may be quite right, but I will not give an estimate in regard of them.

By Hon. Mr. McRae:

Q. Mr. Hungerford, you are strongly recommending to the committee compulsory co-operation. Surely you have arrived in your mind at some result which might be obtained from that compulsory co-operation?—A. Yes.

Q. I think the committee will be very much interested to have your opinion on that.—A. I think a substantial amount would be obtained, but just what that amount would be I do not think anyone can say.

Q. We are interested in what might result from the adoption of that compulsory co-operation.—A. I would say \$10,000,000 is as good an estimate as could be prepared. I think it is somewhere in that vicinity, but I doubt whether anybody could be exact.

By Hon. Mr. Black:

Q. Just along that line I should like to ask a question. At page 1032 of the proceedings of this committee will be found Exhibit No. 76, which is a summary of Mr. Fairweather's discussion of Exhibit No. 49 before the Duff Commission. At that time Sir Henry Thornton, who occupied the position you now occupy estimated a saving of \$60,000,000 net per annum could be made. He did not give any particulars of that estimate, but taking Mr. Fairweather's submission at the time, his estimate was that a saving of \$49,000,000 could be made. Then he went into particulars and said that it might be increased to \$56,440,000. There is a great disparity between the estimates of savings in 1932 and 1938. I think Mr. Fairweather's estimated saving of \$56,000,000 odd was based on a year of normal traffic. 1930 was not such a year. It is difficult for those of us who are trying to find a solution of the railway problem to reconcile the very great difference between the estimated savings made before the Duff Commission in 1932 and the possible savings submitted to this committee now. What would you say, Mr. Hungerford, about those estimates, first, that by Sir Henry Thornton of \$60,000,000 and the other by Mr. Fairweather of a possible \$56,000,000, both given before the Duff Commission in 1932?—A. The general attitude I took in regard to those estimates was the same as I take to-day. I said they were unrealizable. They were simply lists containing a great many figures and items that never would be realized at all. It is idle to expect they could be. Consequently an estimate of \$50,000,000, \$56,000,000, \$60,000,000 or \$75,000,000 is more or less unrealizable.

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By Hon. Mr. Horsey:

Q. Have you ever attempted an estimate yourself, Mr. Hungerford?—A. No.

By Mr. Biggar:

Q. That is what I was going to ask. The two estimates, particularly the estimate of \$75,000,000 made by the Canadian Pacific, have been before the country now for about six years. It would have been possible, I suppose, to go over that work very carefully and check it and be prepared to express an opinion as accurately as any can be expressed on estimates of what amount could be saved?—A. I have grave doubts as to the ability of anyone to make a very accurate estimate in advance. A good deal would depend, don't you see, upon the extent of what you are permitted to do and how you are going to determine what that would be in advance. You could make an assumption, but you have no guarantee you would be permitted to go that far.

Q. Could you let the committee have a calculation of the kind of thing you act upon day by day, of what the position you think will be from year to year, say for ten years? Because we must plan for a considerable number of years ahead. I mean you have to make some assumptions about what you can and cannot do with respect to the Canadian National. For instance, you will have to make some assumptions about the level of traffic. But with those assumptions it ought to be possible to calculate approximately what the position of the Canadian National will be from year to year, say, from 1939 to 1948, so we may have something before us that you think the Canadian National can live up to.—A. We could make an estimate with, I think, reasonable accuracy if we could assume a certain level of traffic; but I do not know how we could reasonably forecast that at all, more particularly at this time of general world-wide disturbance. The whole thing depends upon how much revenue you are going to have, and that cannot be more than a conjecture. We will do it if you wish.

Q. I think it would be very useful to the committee to have something specific in the way of a prognosis of that kind.—A. May I add this, sir,—

Hon. Mr. DANDURAND: Would not the crops during the next ten years have to be computed?

By Hon. Mr. McRae:

Q. I presume that Sir Henry Thornton's estimate of \$60,000,000 was based on a very carefully prepared statement. You, Mr. Hungerford, were in charge of operation at that time. Was not that built up similarly to the case of the P.R. here? You got the information through the different departments.—A. Frankly, I do not know how it was arrived at.

Q. Were you not ever consulted about it?—A. No.

Hon. Mr. MORAUD: Is it possible to make that estimate? It is all very well to give large figures to the public, but first of all we should know whether it is possible to reach some sound figure.

Mr. BIGGAR: Mr. Hungerford says he can do it, except for the level of traffic.

The WITNESS: If you assume gross earnings.

By Mr. Biggar:

Q. It might be based on two or three alternatives. Perhaps your opinion is no better than anyone else's with regard to world-wide movements of trade; therefore it might be done on two or three alternative bases. But there is another thing of the same kind which gives me a little difficulty. Having regard to that part, Exhibit No. 24, it is at least possible that the railways, instead of being able to obtain the present level of traffic and revenue may have less, isn't it?

You will remember that in 1932 everybody who had to do with the Duff Commission thought you were at the bottom of the depression, that nothing could be worse than the condition you were then facing and that in six months or a year you would be back on top of the wave, like you were in 1928. Now, suppose, instead, that the other thing happens, and that we go down now—and, as a matter of fact, there is some reason for thinking we may be going down, because the returns for the first three months of this year are not as good—

Hon. Mr. HAIG: Four months.

Mr. BIGGAR: I have the figures for only three months. They indicate that the Canadian National failed to earn operating expenses.

Hon. Mr. HAIG: I was going to ask if these figures could not be brought up to the 1st of June. I saw figures in the press on Saturday up to the 7th of June. They showed that the gross revenues of the Canadian Pacific for the week were down 11 per cent this year, and that the figures for the Canadian National for the same period were down 17 per cent as compared with last year.

Mr. BIGGAR: The only reason I do not put in the documents is that they are quite elaborate.

Hon. Mr. HAIG: The Ottawa Journal on Saturday gave that information.

Mr. BIGGAR: I got the figures from the Statistical Department this morning.

The CHAIRMAN (Right Hon. Mr. Graham): Mr. Hungerford was trying to say something.

The WITNESS: I just want to explain for Senator Haig's benefit that the figures published are the figures of the gross earnings statement, which is issued week by week; but there is nothing published in that way in respect of the expenses. The expenses are out somewhere about the 20th of the following month, and are given for the full month.

By Mr. Biggar:

Q. According to the figures I got from the Bureau of Statistics, the Canadian National System failed to earn its operating expenses for the first three months of this year by \$5,652,000, of which \$4,559,000 is attributable to the Canadian National Canadian lines, so there is a possibility that we may not have as much revenue as we have had in the past five years. Now, what is going to happen to the C.P.R. under those circumstances?—A. You have their statement that they can carry on.

Q. That is perfectly true, but what I am really putting to you is this. It is not a question of whether we have unification or not, but we cannot exclude from the consideration the possibility that we may have to have unification after the Canadian Pacific has got into trouble, and not before. Is not that a possibility?—A. I suppose all things are possible. I cannot quite contemplate it myself.

Q. Can you count on going on indefinitely with a national enterprise supported to the extent of many millions a year, in competition with a private enterprise which has no such resources? Are there not bound to be waves of depression which at some time are going to swamp the boat that has not got this aid?

Right Hon. Mr. MEIGHEN: Or both.

By Mr. Biggar:

Q. Or both.—A. Of course, things of that kind may be possible. I am one of those who believes that this country is going to grow. It is growing now.
[Mr. S. J. Hungerford.]

By Right Hon. Mr. Meighen:

Q. I notice that on page 22 of your submission you get down to figures. We want to understand them. I read one sentence. You say:—

It is a really remarkable fact that last year the national income exceeded the national outgo by over 500 millions of dollars and, in consequence, Canada, as a people, actually reduced its debt to the rest of the world and added to its store of wealth.

I presume the \$500,000,000 is the excess of exports over imports.—A. All factors are involved.

Q. Just what are the factors? I thought it was simple. Maybe it is not.—A. May I ask Mr. Fairweather to read the items? We have them here.

Q. I was going to ask you. Can you tell us how you made up that \$500,000,000?—A. That is made up from information from the Dominion Bureau of Statistics.

By Hon. Mr. Robinson:

Q. Is that the calculation of the Dominion Bureau of Statistics?—A. It is taken from that.

Hon. Mr. HAIG: Let him tell us what it is.

By Right Hon. Mr. Meighen:

Q. Give us a few of the items anyway, if it takes too long to give them all—A. Well, here is commodity exports \$947,000,000, less commodity imports \$625,000,000; net gold export \$131,000,000; tourist expenditure in Canada \$255,000,000, less the estimated expenditure by Canadians elsewhere, less net freight payments on exports and things of that kind, capital expenditure. There is private construction performed.

Q. What?—A. Private construction performed; not building contracts issued, but reported by trade and general contractors for private account, \$143,000,000.

Q. Is that called income?—A. That would be capital surplus, I suppose.

Q. Private construction, and you put it in income?—A. It is simply an accumulation of wealth.

Q. Good gracious: You don't mean to say you have the amount put into construction in the income of the country?

Hon. Mr. BLACK: I suppose the money was all borrowed for it.

Right Hon. Mr. MEIGHEN: It does not matter. It is not a receipt in any sense on earth. You have included money that people have put into houses as income, but you say we have reduced our debt. How much have we reduced our debt to the outside world? \$500,000,000?

Hon. Mr. MURDOCK: Does not the report of the Bank of Canada contain that item?

Right Hon. Mr. MEIGHEN: We never reduced our debt \$500,000,000.

The WITNESS: Paid, bond maturities held abroad, \$145,000,000.

By Right Hon. Mr. Meighen:

Q. What is that? I cannot hear you.—A. I am sure it would be much more intelligible if we let you have the statement.

Q. What I am getting at is this. You have made this statement to us, and have told us in these words that our national income exceeded our outgo by \$500,000,000. No doubt sales of goods are properly included as part of the income, less the purchase of goods. But you gave investments in houses, so I do not see how you get your \$500,000,000 as a difference. Do you maintain that we have reduced our debt to the outside world by \$500,000,000?—A. No.

Q. Then, by how much?—A. The increase in wealth was \$500,000,000.

Q. You do not say that. You say we have reduced our debt. I want to know how much we reduced our debt to the outside world in 1937.

Hon. Mr. ROBINSON: As I understand it, this is a calculation of the Bureau of Statistics.

Right Hon. Mr. MEIGHEN: No, this is his interpretation of something, and I want to get at the common sense of it.

The WITNESS: The net change in bonds and securities held abroad is \$156,000,000.

By Right Hon. Mr. Meighen:

Q. Do you mean to say that we have changed our debt by that, because there is a net change in bonds held abroad?—A. That is part of it.

Q. You do? Then I will stop.

By Hon. Mr. McRae:

Q. Have you taken into that account the interest which private companies paid?—A. I think we have taken all factors in.

By Right Hon. Mr. Meighen:

Q. And the net reduction is what?—A. Well, I—

Q. You don't know.—A. It all depends on how you look at it. The conclusion is, anyway, whether the figures are right or wrong—

Q. What is the net reduction of debt?

Hon. Mr. DANDURAND: We should perhaps allow the witness to examine into these figures, and to give them exactly when we return at half-past three.

Right Hon. Mr. MEIGHEN: Mr. Fairweather might be prepared to give them.

Hon. Mr. McRAE: May I suggest to this statement that has been arranged for—we have endeavoured to bring down the C.P.R. estimates to 1937—that by collecting them we can pretty well apply 1937 to 1930 with reasonable accuracy. He could base this statement on 1937. We then should have something to go on, instead of going over several years. Take the operation for last year; how much would the saving be under enforced co-operation on the basis of last year's operation?

Mr. BIGGAR: Assuming the same level of traffic?

Hon. Mr. McRAE: Yes. We should have something to compare then.

Hon. Mr. HAIG: On page 22 of the memorandum read by Mr. Hungerford this morning there is this statement:—

At the moment we face a situation of increased railway costs and decreased railway traffic and admittedly this is a serious matter . . . I should like the figures up to the 30th of April this year, of expenses and net earnings, compared with 1937.

The committee adjourned at 1.05 p.m., to resume after the Senate rises this afternoon.

The committee resumed at 4.35 p.m.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, are you ready to proceed?

Mr. S. J. HUNGERFORD reappeared and took the stand.

By Mr. Biggar:

Q. Mr. Hungerford, I have had an opportunity during the adjournment to read over your memorandum of this morning, and I think perhaps I can put the point that you are making quite shortly. The first point, as I understand it, is this—I am using practically the words of your memorandum—that the Canadian National is being operated as efficiently as it can possibly be operated, consistently with the public interest?—A. I think that is right, sir.

Q. And that public interest is really determined by the public as represented by the Government of the day?—A. In its larger aspects.

Q. And the duty of the railway administration is, subject to that determination, to operate that railway at the minimum possible expense?—A. Correct.

Q. Now, if then as a matter of public policy more expense is being incurred than might be incurred from a strictly railway point of view, that is really a matter for the public, as represented by the Government of the day, rather than for the railway administration, to whom the actual day-to-day conduct of the railway is being entrusted?—A. In a sense that is correct, sir.

Hon. Mr. DANDURAND: Could you not enlarge upon that expression, "the Government of the day"? The Government is but the executive of Parliament.

Mr. BIGGAR: Yes. Well, "Parliament" is perhaps more accurate.

Q. If that is so, it seems to me that perhaps it is true to say that a national undertaking of this kind differs from a private undertaking in this, that in the case of a private undertaking the administration does two things: it actually operates the undertaking and it determines, by recommendation at least, the policy that is to be followed?—A. Yes, that is correct.

Q. Whereas, in the case of a national undertaking the actual administration is done, as it were, by one body, the railway administration, while the determination of policy is done by Parliament or the Government?—A. Well, again, in its larger aspects that is correct.

Q. Now, when you compare the proposal that has been made by Sir Edward Beatty with the present situation, what you are really comparing is an administration as now of the Canadian National, dealing with the administration of the railway, and an administration that determines not only how the railway is to be operated but also what its policy should be?—A. Yes, if I follow you correctly.

Q. In other words, that the determination of the general policy is not necessarily, under the new circumstances, in what we have been describing as public interest, but in what I think Mr. Fairweather described as the narrower railway interest?—A. I think that is correct.

Q. Quite independently of that, I suppose that your view would be that monopoly, even in a national administration, where there was this divergence of function between the actual administration and the determination of policy, could have its dangers?—A. I am afraid I do not follow that, sir.

Q. Would you think that a national monopoly had its dangers? I mean, suppose that something happened so that the people of Canada had to take over the administration of the Canadian Pacific as well as the Canadian National and form it into one organization, there would be some dangers of monopoly, would there not?—A. Possibly so. Personally I do not like a monopoly.

Q. But even in that form, that is what I mean.—A. Yes.

Q. And there would be also the dangers of the lack of stimulus of competition, in exactly the same way as there would be under unification, in the sense that Sir Edward Beatty has put it forward?—A. Well, if the spirit of competition was eliminated, there would probably be the same background that I think would be the case.

Q. But when you come down to the essence of the thing, the real difference between the present situation and the situation as it would be under unification is this, that half or rather more than half of the railway mileage in Canada is now operated under a policy that is determined by reference to the public interest?—A. I think that is correct, sir.

Q. While the other part of it is determined by an administration that is really concerned with the railway interest primarily?—A. Quite right.

Q. And that if the change came about that Sir Edward Beatty has proposed, what you would have would be all the railways substantially in Canada operated from the point of view of the narrower railway interest?—A. Well, certainly narrower, but I do not think to the full extent.

Q. But certainly a narrower railway interest?—A. Yes.

Q. And would you think that the dangers of monopoly and the absence of the stimulus of competition would be greater or less under those circumstances than in the case of a national railway including all the railway lines?—A. Well, I do not think that there would be a great deal of difference. There might be some, but perhaps not a lot.

Hon. Mr. COTE: Mr. Biggar, would you ask that he means by "public interest" as distinct from what you refer to as the narrower railway interest?

Hon. Mr. DANDURAND: Would you not have that definition in the directions given by the Board of Railway Commissioners? That Board has to examine into the public interest when a proposition is made to them.

Hon. Mr. COTE: I don't think we would find the definition there. The only object of my question is to get a definition in relation to some function of the railway under the head of "public interest" as distinguished from what Mr. Biggar refers to as the narrow concept of a railway as a transportation system.

By Mr. Biggar:

Q. It is really covered, Mr. Hungerford, by your memorandum. What we have been using the expression "public interest" to mean is, as I understand, the provision of such service as is necessary for local areas to carry on as they are, notwithstanding that such service may not return a profit?

Hon. Mr. HORSEY: Yes. He illustrated it this morning by the Gaspé situation.

THE WITNESS: I would like to say, sir, that it is common knowledge that we are carrying on with the consent of everyone the operation of a great many lines of railway which are not profitable in themselves, and if we were operating on a profit basis we would desire to eliminate those lines. But inasmuch as this organization was created in the first instance to carry on, to provide service on lines of this character that could not support themselves, we always assume that it was the policy that was desired. It has been approved, I think by each succeeding government to a degree, and it appears to be the view point of the people of the country that that is what they want, as I understand it.

Q. And that would be true too of the maintenance of more roundhouses and shops than are strictly necessary from a railway point of view?—A. Well, that is rather a different question, and a good many different features are involved in regard to that.

[Mr. S. J. Hungerford.]

Hon. Mr. MURDOCK: Here, Senator Cote, is what President Hungerford said this morning.

Public interest is properly and primarily concerned with the use of the railway property for purposes of national development and national policy; private interests are primarily concerned with profits and dividends.

Hon. Mr. COTE: Yes; but he was referring to operating a line which was not a paying proposition, and he put that under the heading of public interest. The private company does that to; the C.P.R. is operating lines which do not pay.

Mr. BIGGAR: Not to the same extent.

Hon. Mr. COTE: They have to continue to operate those lines because they cannot close them without the consent of the Railway Board. To the extent that they are continuing the operation of lines which are not producing a net revenue they are also serving the public interest.

Hon. Mr. MURDOCK: But the Board of Railway Commissioners say they must not abandon those lines because it would not be in the public interest for the Canadian Pacific to do so.

Hon. Mr. COTE: But the extent that they do not abandon those lines they are serving the public interest too.

Hon. Mr. DANDURAND: They are limited by the decisions of the Railway Board.

Hon. Mr. COTE: Yes.

By Hon. Mr. Haig:

Q. If the people of Canada did not own the Canadian National Railway, and the system was owned by yourself, what economies could you put into effect to make your expenditure equal your income?

The CHAIRMAN (Right Hon. Mr. Graham): They do.

Hon. Mr. HAIG: Oh, no. They have to pay the bond interest on the road the same as anybody else has to.

Hon. Mr. MORAUD: But they are in a different position. They had to take over those lines.

Hon. Mr. HAIG: That is not my question.

Hon. Mr. MORAUD: That is your question.

Hon. Mr. HAIG: No.

By Hon. Mr. Haig:

Q. I want to know, Mr. Hungerford, if you had not the public purse to draw on, and had to run your road as the Canadian Pacific run theirs, and keep out of bankruptcy, is there anything you could do to prevent the road going into bankruptcy if you had to do what the Railway Commission compels you to do, the same as the C.P.R. The Canadian Pacific can do only certain things because the Railway Commission will not permit them to do anything else.—A. There is a degree of similarity in that respect between the two roads. The outstanding feature, however, is that the Canadian National was constituted originally out of a lot of lines that were not self-supporting. The private interests that ran them failed, and the Government had to step in and take them over in order to provide service. Apparently it was felt to be essential to the public interest to provide that service.

Q. You have not so far this morning or this afternoon suggested any savings at all. Mr. Fairweather told us he estimated \$10,000,000. When Sir Henry Thornton appeared before the Duff Commission he estimated I think a saving

of \$60,000,000, and at that time Mr. Fairweather gave an estimate of \$56,000,000 based on normal traffic of 1931. Can you give us any savings that you can make at all, leaving out any question of public opinion? The only opinion I want you to consider is what the Railway Commission will make you do; nothing else.

Hon. Mr. COPP: He cannot say in advance.

Hon. Mr. HAIG: He can tell that.

The WITNESS: It would depend altogether on what the Railway Commission would permit us to do.

By Hon. Mr. Haig:

Q. You know what they will permit you to do. The law is the same for you as for the C.P.R.—A. As you know, we have applied for permission to abandon a lot of small branch lines that in our opinion had outlived their usefulness, and we got permission to abandon about one-half; the others were refused. Under those conditions it would seem to me to be quite hopeless to apply to the board for permission to abandon anything more important and more useful and more productive in the way of traffic than the lines which we did include in that group for which we asked permission to abandon.

Q. In your opinion no other savings can be made?—A. Oh, yes, certain savings can be worked out by co-operation.

Q. What are those?—A. In certain places where there are lines closely parallel to each other. There are places—

Q. Tell us where they are. We compelled the other side to tell us where theirs were. Now, what is your suggestion of where savings can be made?—A. I have read the evidence myself and have not found any except line abandonments.

Hon. Mr. McRAE: Colonel Biggar, I think I can put the question in another way.

By Hon. Mr. McRae:

Q. Mr. Hungerford, can you give the committee roughly an estimate of the extent to which your earnings are affected by what we would call extra national service?—A. I am afraid, senator, I could not answer that off-hand. That would require some investigation.

Hon. Mr. ROBINSON: It is not the earnings, it is the original organization.

Hon. Mr. McRAE: But the earnings are affected by this extra national service.

By Hon. Mr. McRae:

Q. Let me give you these figures. The Canadian Pacific Railway contemplated abandonment of 5,000 miles, and the Canadian National 2,200 miles. I think roughly that was three-fifths Canadian National and two-fifths Canadian Pacific Railway, as I remember it. Now, without any abandonment whatever the Canadian Pacific Railway's \$75,000,000 savings would be reduced by 10 per cent \$7,500,000, of which three-fifths would be applicable to the Canadian National about \$5,000,000. Is it fair to presume that on account of this extra national service you are expending about \$5,000,000 more than you probably would if you were running the system strictly on a railroad basis?—A. Well, it would have to be a pure conjecture on my part at this stage.

Q. I know it would be just an estimate, but I want to correlate those two situations.—A. No, sir, I don't think I could give you an estimate at this time.

Q. Then do you think, if there was no abandonment made of the 5,000 miles the \$7,500,000 would cover the deficit cost of operating that 5,000 miles?—A. No.

Q. You don't think that figure would be it?—A. No, I would not think so off-hand.

[Mr. S. J. Hungerford.]

By Mr. Biggar:

Q. I understood, Mr. Hungerford, your view was that you were not prepared to discuss specific figures with regard to specific possibilities until you had had an opportunity of having every single factor that entered into the figures closely examined for the purpose of determining how accurate it was? That is what I understood your position to be.—A. I do not know that I have said that, sir, but I think that would cover the position to-day.

Q. That is what I understood. But may I go back for one instant to that question of public interest—

Hon. Mr. HAIG: Before you do that, Mr. Biggar, I want to ask a question. The Railway Commission says what can be done by any railroad in regard to abandonment of lines and that sort of thing. Now, what service does the Canadian National give that by law they do not have to give? That is what I am trying to get this witness to say.

Mr. BIGGAR: I do not suppose Mr. Hungerford can possibly go over the whole system.

Hon. Mr. HAIG: No; but he should be able to give a specific illustration of any service they furnish the public that they would not have to furnish if they did not want to.

Mr. BIGGAR: As a matter of fact, Mr. Hungerford first put it in the memorandum he gave us this morning. At page 11 he said:—

It is to be regretted that the Canadian Pacific has not given the details of the proposed curtailment of services and what shops, terminals, division points, round-houses, stations, etc., it is proposed to abandon. The extent to which public interest is adversely affected may be gauged by this reluctance to give the details of just what is contemplated in the unification plan.

Hon. Mr. HAIG: That is not what I mean. He speaks of public service as if the Canadian National had to do something on their system that the Canadian Pacific Railway did not have to do. What is that thing?

The WITNESS: All right.

By Hon. Mr. Haig:

Q. That is what I want to know.—A. For instance, the National Trans-continental.

Q. You have to run it?—A. Yes.

Q. But the Railway Commission would not allow you to abandon it any way?—A. No.

Q. You have to do that by law. But what else do you do that you do not have to do?

Hon. Mr. MORAUD: Did you not get those things?

Hon. Mr. HAIG: No.

Hon. Mr. MORAUD: He illustrated that by the Gaspé line. That is a line which was forced on the Canadian National and they have to operate it at a heavy loss, just for the public interest.

Hon. Mr. HAIG: But they do not have to do it on account of the public interest; they have to do it because the Railway Commission compels them to do it.

Hon. Mr. MORAUD: No, no.

Hon. Mr. MURDOCK: No.

Hon. Mr. HAIG: They could not abandon that line.

Hon. Mr. MURDOCK: A number of those lines were made part of the Canadian National not by action of the Railway Commission.

Hon. Mr. HAIG: That is true to a great extent. They operate the Gaspe line, and they cannot abandon it without the consent of the Railway Commission.

Hon. Mr. MURDOCK: That is right.

Hon. Mr. HAIG: And the Railway Commission would not now allow them to abandon that line. But the other railroad is in the same position.

Hon. Mr. ROBINSON: No. The Canadian National have to operate all the railroads taken over by the Government.

Hon. Mr. HAIG: The Railway Commission makes them do so.

Hon. Mr. ROBINSON: That is public service. If the Government had not taken those lines over the Canadian National would not have to operate them.

Hon. Mr. HAIG: But the C.P.R. do the same thing.

Hon. Mr. MORAUD: Not at all.

Hon. Mr. HORSEY: Not to the same extent.

By Hon. Mr. McRae:

Q. Colonel Biggar, I want to get this thing boiled down at little. The 2,200 miles which the Canadian National contemplate abandoning, and which, I presume, Mr. Hungerford, would include 1,500 or 1,200 miles of your own lines was on the basis of not depriving any necessary public service, was it?—
A. Speaking from memory, the figures relate mostly to closely parallel lines. I am speaking from memory entirely.

Q. That could be abandoned without any serious interference with the public service?—A. I do not say I endorsed that recommendation which was submitted by the Canadian National to the Royal Commission at that time, because I do not recall at the moment whether I endorsed it or not. I do not think I did. I certainly would want to look over the items before expressing an opinion on them.

Q. I am trying to get those things correlated, Mr. Chairman. Here is 2,200 miles of railway that the Canadian National agreed to abandon. That, I take it, was without depriving the public of necessary service. If we could tie onto that and get some estimated saving from that source, the committee would be getting somewhere.

Hon. Mr. BLACK: Then we have the illustration, Messrs. Joint Chairmen of that matter suggested by Colonel Biggar, of what is supposed to be abandonable by the C.N.R.

Hon. Mr. DANDURAND: I think, Mr. Fairweather was of opinion that 1,000 miles would be the maximum.

Mr. BIGGAR: Approximately I think it is.

Hon. Mr. HAIG: We have the C.P.R. abandonment proposal to the Du Commission. Where is the C.N.R. proposal made to the Duff Commission?

Mr. BIGGAR: That is what we are waiting for.

Hon. Mr. ROBINSON: What is the use of continuing to harp upon the \$56,000,000 C.N.R. saving, when the C.N.R. disclaim any such thing? It was on the basis of doing things which they say cannot be done.

Hon. Mr. BLACK: Is not that, Senator Robinson, what we are trying to get at? The object of the committee is to discover some means whereby the burden may be reduced. We were told by Mr. Fairweather that no further operation could be effected or very little more without compulsion. I should like to know what in the way of compulsion this committee may have to recommend. We may not get anywhere with it, but if it is a matter of compulsion to get further economies, then in the final analysis we are certainly entitled to know what the C.N.R. think they can abandon if this compulsory cooperation is brought into execution.

[Mr. S. J. Hungerford.]

Hon. Mr. MURDOCK: Mr. Chairman, may I read two paragraphs here which, it seems to me, cover conclusively the point we are talking about. They will be found at the bottom of page 12 and the top of page 13 of Mr. Hungerford's submission:—

Most of the economies which are realizable in a practical sense, in that they relate to economies which can be really made effective without unduly impairing the public interest, will be found upon examination to be obtainable under the principle of co-operation, and the country need not incur all of the unknown perils of unification in order to obtain these economies.

It is entirely feasible under co-operation to arrange for the abandonment of one of two closely paralleling lines of railway where public interest is not adversely affected. It is feasible under co-operation to make arrangements for joint stations and terminals where an economy is indicated. It is feasible to arrange for the handling of one company's traffic over another company's line. It is feasible to eliminate duplicate competitive passenger train services to the extent justifiable in the public interest. It is feasible to deal co-operatively with ancillary services. Types of all of these economies have been explored and have been demonstrated as entirely practicable and workable.

It seems to me that covers the point Senator Haig was inquiring about.

Hon. Mr. HAIG: For five years these two railways have been trying to co-operate. Mr. Fairweather told us, and the witness tells us again, that we have to have compulsion to do it. Now, I want to know what savings could be made under compulsion.

Hon. Mr. HUGESSEN: Is not that a little unfair, Mr. Chairman?

Hon. Mr. HAIG: No.

Hon. Mr. HUGESSEN: Will you allow me to make an observation? Sir Edward Beatty read a general statement. He did not go into detail, but left that to his officers. I imagine Mr. Hungerford will do the same thing, and will leave the details and suggestions for compulsory economies to his officials.

Hon. Mr. McRAE: Sir Edward Beatty did tell us in the aggregate what the saving would be, very definitely.

Mr. BIGGAR: It is fair to remark that Sir Edward Beatty had had made by his officers, in advance, what he regarded as a very comprehensive and penetrating study, whereas Mr. Hungerford has told us he has had so much study made and does not want to express any opinion about it.

Hon. Mr. McRAE: But he recommends very strongly to this committee that we should endorse compulsory co-operation. What Senator Haig is trying to get at is the saving that is going to be made.

Mr. BIGGAR: He has told us he cannot help us on that.

Hon. Mr. McRAE: He has made a recommendation, and it must have some basis.

Hon. Mr. MURDOCK: It is true that Sir Edward indicated that we could save \$75,000,000; but there are 792 railroad presidents and boards of directors in the country immediately adjacent to us who guessed the same thing in the operation of certain railroads which finally went into receivership. The dear old Erie did so three or four times because of a guess, an estimate made by a president and a board of directors who optimistically hoped for things that they were not able to bring about.

Hon. Mr. HAIG: That still does not answer my question. This gentleman recommends compulsory co-operation. Under that what saving can he make? If he says he cannot answer, let him tell me who can, and I will see that he is called.

Mr. BIGGAR: He has told us he was not going to disagree with the estimate already made of about \$10,000,000.

Hon. Mr. HAIG: Well, let him say—

The WITNESS: May I say this by way of explanation? Without a complete investigation extending over a long time, and specifying the points that you have dealt with, and without analyzing every possible item and studying it through to a conclusion, you could not make an estimate that would be accurate. You can make some kind of a guess—

Hon. Mr. HAIG: Let me call attention to the fact—

Hon. Mr. ROBINSON: Let him finish.

The WITNESS: What I tried to say, and intended to say, was that it was my opinion that practically all the savings that could be made effective with the consent of the board or either party under unification could be made effective under co-operation. Just the extent to which that would go I am not prepared to say. I do not know, and I do not think anybody else knows; and if anyone quotes a figure it can only be at most an intelligent guess.

By Mr. Biggar:

Q. Would you really go as far as that without this inquiry, that all the expenditures that could be saved by unification could equally well be saved under co-operation?—A. Not quite all. There would be a difference, in my opinion, largely in respect of the cost of the supervising staff generally. Under unification some saving might be made in that regard. So far as the use of facilities or the abandonment of facilities and services is concerned, I think as much can be done under co-operation as under unification. As I said before, I think something could be saved by unification in the way of official set-up. In my opinion the amount that would be saved in that respect would be offset, however, by let-down in the organization.

Q. I do not want to lead you into a discussion of details that you are not prepared to deal with, but I understood you to say that you were not able to express an opinion with regard to the view that the limit of savings under co-operation was about \$10,000,000.—A. Again I have to say that that might be considered a reasonably intelligent guess, nothing more.

Q. I need not bother going into details, then, as to the difference between consolidation and co-operation. There is just one other point I thought it was fair to call attention to. You speak in your memorandum, on page 6, and again later, of your experience in connection with consolidations, and say that large scale economies are not produced according to your experience. Now, it is true, is it not, that your experience of consolidation has been under Government ownership, national organization?—A. Yes, that is right.

Q. I think that is all.

Hon. Mr. HAIG: I asked for some returns.

Mr. BIGGAR: They are in course of preparation. I am getting them.

By Hon. Mr. McRae:

Q. Possibly, Mr. Hungerford, you would give us your idea as to why voluntary co-operation during the last four or five years has accomplished so little?—A. I think there are a good many factors involved. One of the difficulties was that in the first instance, when we started, we had no experience as to how to organize or proceed to handle this work on a more or less formal basis. We made some false starts and used up a great deal of time in that regard. Then later on, for a time, we seemed to make pretty good progress; then we seemed to get more or less into the position of, "I won't do this unless you do that," and altogether it is a very difficult matter to analyse and determine

[Mr. S. J. Hungerford.]

I thought at the beginning that the machinery set up for the purpose was complete and adequate, but after struggling with it for a considerable time I came to the conclusion that there should be a representative of the public introduced into the work in order to ensure that proper progress would be made and a determination reached. I am sorry that I cannot give you a more definite explanation than that, but it has proved quite a difficult thing.

Q. Naturally you were quite disappointed in the results?—A. Frankly, I was. As I said before, I thought the machinery planned for the purpose originally—although it was not my suggestion—would be adequate for the purpose. And I think it was, to a point; but in my opinion we found an element lacking.

Q. For all practical purposes you have gone about as far as you can go with voluntary co-operation, haven't you?—A. I would think so, unless there was a determination on the part of both railroads to go at it again energetically.

By Right Hon. Mr. Meighen:

Q. You could have made the arbitration compulsory at any minute you wanted to all through these years?—A. Quite so; but apparently there was a reluctance on the part of a good many people to incur the odium of doing what was an unfriendly act, or something of that kind.

By the Chairman (Hon. Mr. Beaubien):

Q. If there were a third party standing between the two railways to constrain them to certain economies, in your opinion should that party have the right to initiate the economies to be made?—A. Yes, sir. In my opinion the third party, the chairman of this body, should have the right to initiate the consideration of any question, any suggestion that might come to him in the way of a co-operative measure.

Q. And therefore you consider that he would be instituting the study of both lines, substituting for both boards, and intimating where the economies should be planned. Do you think that would be quite right?—A. I do not quite follow that, sir. I am sorry.

Q. If that party had the initiation of all the economies to be made, then he would have the responsibility of examining both railways and pointing out where those economies should be made.—A. Yes. My suggestion was that the board consist of three members, one nominated by each of the railways, and one nominated and appointed by the Government, the chairman to have the power to initiate any investigation and pursue it and push it to a definite conclusion. I do not know just exactly what legal provision would be required, but that is my thought as to how it should function.

Q. And in that case surely both railways, the representatives of each railway, would suggest the economies to be made.—A. Oh, quite; the suggestion might come to the board from any member.

Q. And then the arbiter would decide?—A. Yes, sir.

Q. Haven't you got that now?—A. No, sir.

Q. I cannot understand. What is your arbitral tribunal for?

Right Hon. Mr. MEIGHEN: The arbiter is not selected by the Government but by the chairman of the railway commission. If he is selected by the Government you will have two one way and one the other.

By the Chairman (Hon. Mr. Beaubien):

Q. What is your opinion of the arbitral tribunal now?—A. The arbitrator is to plan and pursue all of these studies and bring them to a conclusion. If they are accepted by the two railways they are to be made effective with the permission of the Board of Railway Commissioners, if their permission happens to be necessary. If not they can proceed without that. But if there was a

dispute and a disinclination on the part of one of the railways to make the measure effective there should be an appeal, and in my opinion it should be automatic and should not be left to the initiative of any of the railways.

Q. And you do not think that would be duplicating your arbitral tribunal?
—A. No, I do not.

Q. Both railways now have the right to initiate economies?—A. Yes.

Q. If they do not agree, they call in the arbitral tribunal?—A. Yes, but there is more than that.

Q. And then the arbitral tribunal decides. Is that right?—A. That is what it is supposed to do.

Q. I cannot see very much difference between that and the proposition you have just made.—A. The arbitral tribunal was only designed to settle disputes when there was disagreement between the parties.

Q. That is the function of the arbitral tribunal now?—A. It is not an arbitral tribunal. My suggestion of the commission is along the lines of the conciliation board under the Industrial Disputes Investigation Act, except that it would not be appointed for a specific case, but for a specific period of time, to deal with all cases.

By Hon. Mr. Moraud:

Q. With the right to initiate?—A. Yes.

Right Hon. Mr. MEIGHEN: But the very men to initiate that have to initiate now.

Hon. Mr. MORAUD: Now the railway has to go to the Board.

Right Hon. Mr. MEIGHEN: But the railway representatives would be on this board of three, and they could say, "We three members of this Board have to bring about a conclusion." That is exactly what they have a right to do now.

Hon. Mr. MORAUD: Except that under the new scheme the chairman of the Board could force action.

Right Hon. Mr. MEIGHEN: No, he could not.

Hon. Mr. MORAUD: If Parliament gave the power to initiate.

Right Hon. Mr. MEIGHEN: But the representatives of the railways would have to agree.

Hon. Mr. MORAUD: Not necessarily, because the chairman of the Board would have the right to force the matter.

Right Hon. Mr. MEIGHEN: That is not the suggestion in this memorandum.

Hon. Mr. MORAUD: It should be.

By the Chairman (Hon. Mr. Beaubien):

Q. Do you think it would be quite proper for this third party to set aside your judgment, to go about your own road and come back and tell you that you have to make economies? Do you think he would be better qualified than yourself and your board to do that?—A. Well, if I understand your question, sir, that implies the setting aside of the provisions of the existing Act. Perhaps I do not understand your question.

Q. I am discussing the power to initiate that the arbitrator would have in the case of the Board that you have just proposed. That arbitrator, if he has a right to initiate an economy on any of the roads, could go about your roads and find economies to be made and come back to your Board and say, "I do not attach very much importance to your judgment. I am going to put the opinion of the President aside and I suggest that such-and-such economy be made." Do you think that would be quite proper and in the interest of your road?—A. I think there is a misunderstanding in regard to the use of the

[Mr. S. J. Hungerford.]

word "initiate." It is not to initiate the actual putting into force of the thing, but to initiate the study and consideration and analysis of a proposition and bring it down to a definite recommendation. Then the recommendation naturally would go to the executive of each railway and they would have the privilege of saying whether they wanted to go along with it or not. And if there was disagreement, there is provision for going before the arbitral tribunal.

Q. Then if there was any economy, it would be suggested in the first place by the Canadian Pacific or the Canadian National?—A. No, not necessarily. It might be suggested by the Chairman.

Q. That can be done now.

Hon. Mr. MORAUD: It cannot be done now.

By Hon. Mr. Black:

Q. Is this not right, that no application has been made to the Board by either road, the Canadian Pacific or the Canadian National, at any time in the last five years? Neither road has applied to the arbitral tribunal for a decision?—A. That is right.

Q. And it seems the reason given in both instances is the same, that they did not want to offend each other's feelings.

By Hon. Mr. Robinson:

Q. Do I understand this to be the suggestion, with regard to the Board of three, that a matter may be initiated by any one of them, or by someone outside the board—say, Senator Black, or Senator McRae. Then it would be referred to the executive and thoroughly investigated, and if no action were taken upon it it would not be necessary for either railroad to apply to the arbitral tribunal, but the chairman himself could do it and take it off the shoulders of the railway? Is that the idea?—A. I would make it automatic. I would make it a requirement that if a measure was favourably reported upon by this committee or commission and not acted upon by the two railways, that it automatically should be referred to the arbitral tribunal for consideration, after the lapse of a few months, or something to that effect.

Q. That takes the onus off the railways?—A. Yes.

By Hon. Mr. Hugessen:

Q. Let me see if I understand your suggestion. You would substitute for the two present bodies one set up by the railways, comprised of one man representing each line?—A. Yes.

Q. And you would add to those two an independent chairman, representing the public? The board would then fulfil the functions which your two co-operative committees are doing now, with the difference that if the two railways did not agree upon any economy the chairman would have the duty of calling for an arbitral tribunal to settle the matter? Is that right?—A. In a way, yes.

Q. Unlike what Senator Meighen said a few moments ago, it is a completely different set-up from that existing at the present time.—A. At the present time there are two sections of what we call a co-operative committee, the Canadian Pacific section and the Canadian National section, under the chairmanship of two men. They are expected to work along and bring in reports, if they can. My suggestion would be that the committee be composed of three: one representative from each of the railways and a chairman selected by the Government from outside, a neutral person altogether.

By Hon. Mr. Haig:

Q. What would happen in a case like this? Suppose a matter comes before the board and both railway men on the board are not in favour of it. What would happen then?—A. I would give the chairman two votes, or something of that nature.

Q. Then there would be a tie. You would have to give him three. Would you give him power to override the other two?

By Hon. Mr. Black:

Q. As I understand your suggestion, you would give him power to override so far as that he could decide to call for a tribunal?—A. In the ordinary course he would decide with one man or the other.

By Hon. Mr. Haig:

Q. Senator Hugessen said that your position was not as Senator Meighen suggested. You told Senator Hugessen that the suggestion was that the Canadian Pacific would appoint one representative and the Canadian National one, and the Government one. Now, suppose a proposition for economy is suggested by the Chairman, say. And the Canadian National man on the committee says "No," and the Canadian Pacific man says "No." Now, what would happen?—A. That is a situation I can hardly contemplate.

Q. Well, following up what Senator Hugessen said, can you tell me what would happen then?—A. You would have to make some provision for that.

By Hon. Mr. Horsey:

Q. You said it would go automatically to the tribunal?—A. That was my thought, that if there was any disagreement the matter would go automatically before the tribunal.

By Mr. Biggar:

Q. You are not suggesting the abolition of the Joint Co-operative Committee? This board that you have been suggesting is a body in addition to the Joint Co-operative Committee, is it not?—A. No sir, it would take the place of those two.

By Hon. Mr. Horsey:

Q. I understand that you say that when the two railways could not agree on a proposition of savings, that automatically the matter then would go before the arbitral tribunal for decision?—A. Yes.

Q. Then you would get action. That is where it differs from the present set-up.

Hon. Mr. HAIG: Then the chairman would be the whole committee. He could have a matter sent to the arbitral tribunal over the heads of the other members.

By the Chairman (Right Hon. Mr. Graham):

Q. I suppose, Mr. Hungerford, you have not studied the whole details of this. You are in favour of some statute that would compel people to act?—A. Yes, to have some progress made.

Q. And you would leave it to some person else to work out a scheme to carry that idea out. If it is not feasible there would be no use getting details. But I imagine that if we decided that there should be a compulsory board somewhere, to compel co-operation, there would be a way of finding the machinery?—A. Yes. I was only offering a broad suggestion without trying to specify all the details of it.

[Mr. S. J. Hungerford.]

Q. I doubt if any of us sitting around here could even give a suggestion of what the machinery would be, if we were asked to do it.

By Hon. Mr. Cote:

Q. You contemplate a situation under which the two railways could not agree on the economy under study, and then you go a step further and you say that in the case of a disagreement there shall be a reference to an arbitral tribunal. If we should so legislate, there would not need to be a chairman at all; the matter would be automatic.—A. The purpose of the chairman is not so much in resolving disputes when they come down to a definite difference of opinion, as to insuring progress being made in the study of projects and bringing them to a conclusion.

By Hon. Mr. Hugessen:

Q. And to relieve one of the railways from forcing the arbitral tribunal on the other?—A. Yes. And there are other features in connection with it.

By Hon. Mr. McRae:

Q. There is one question I should like to ask you. Are you favourable to an advance in rates to make up in part the deficit of your system?—A. It is a very broad question, sir.

Q. It is a definite one.—A. Yes. It is very very questionable. If you got an increase in rates and got a loss in traffic, you would not be improving the situation from the national viewpoint; you would make it worse.

Q. Sir Edward Beatty told us he was not in favour of an advance in rates. Would you agree with him?—A. I think I would take that view too, in a general way.

Q. Then naturally you would depend on the public treasury entirely to make up your deficit?—A. Yes.

By Hon. Mr. Moraud:

Q. How do your rates compare in this country with rates in other countries of the world? Are they higher or lower?—A. Almost exactly the same as the rates in effect in the United States, and lower than in any other country in the world that we know of, except, I think, Japan and India.

Hon. Mr. HORSEY: They are purely Government roads.

By Hon. Mr. Gordon:

Q. Perhaps this is not a fair question to ask you. In dealing with the Canadian Pacific during the past five years—and during that time a good many of us think that as much progress was not made as should have been made—have you found them pretty hard to deal with? I wonder if your attitude would change in respect of the Canadian Pacific if the Government of the day came to you and said, "Mr. Hungerford, we are getting tired of paying these deficits. We are going to place \$100,000,000 or \$150,000,000 to your credit, with the understanding that when that is exhausted something is going to be done; we are going to get rid of this railroad. That is the limit of the money that is going to be advanced to you in future for deficits." Would your attitude towards the Canadian Pacific then be the same as it is now?—A. All I can say in regard to that is that I cannot visualize the premises that you mention. After all, it is not a question of any individuals responsible—

Q. I should like to get a reply to that question. If you had \$150,000,000 put to your credit to be used for deficit purposes and you knew that when that ran out there would be no more coming to you, would you not endeavour more strongly to come to terms with the Canadian Pacific under a plan of unification or amalgamation or something else? Would you, or would you not?—A. I cannot visualize those premises.

Q. Why cannot you?—A. Because after all—

Q. Is it your idea that the Government obtains money in some other way than by taxation and borrowing?—A. No.

Q. And that it is going to keep coming down from Heaven all the time?—A. After all, sir, the Canadian National Railways system is the property of the people of this country, and they have the say as to how that property shall be run. All we do is to run the system in the way that they apparently want it run.

Q. But, Mr. Hungerford, I should think from that you are not of opinion that it needs to be run as a business organization at all?—A. Oh, yes, I do.

Q. No business could last with continuing deficits such as we have got to meet every year.—A. And no railroad organization could have got started with the financial set-up that we have; it could not be done.

Q. Do you think it is better to pay those deficits continually, or try to do something now to stop their continuance?—A. My suggestion is to do all these things that you can that will not injure the nation otherwise to a greater extent.

By Hon. Mr. Horsey:

Q. If a definite decision was reached against unification would the progress in your view be must greater under cooperation than it has been?—A. I would expect there would be some improvement.

By Mr. Biggar:

Q. Mr. Hungerford, I think you have covered the ground very fully, and I am very much obliged to you. I understood you to say you were not familiar with any of the details of these estimates that had been made, and that that remark applied both to the \$56,000,000 estimate made by Mr. Fairweather and the \$60,000,000 estimate made by Sir Henry Thornton.—A. May I ask what the question was in relation to that?

Q. I understood you to say you were not familiar with the details of either of those estimates.—A. Oh, I have seen the details as published more or less.

Q. But I mean you are not prepared to discuss the soundness or otherwise of the detailed figures?—A. No, sir. Quite frankly I do not believe any of them. I do not think they are realizable.

Q. And that it applied to both of them. It was suggested to me that I had misunderstood you.

By Hon. Mr. Coté:

Q. Mr. Hungerford, you said a moment ago, and quite correctly too, that the properties of the Canadian National are the assets of the Canadian people. Then you added that the railway is run as the people want it run.—A. In regard to broad policy.

Q. Broadly speaking?—A. Yes.

Q. I think that involves two subdivisions. There is the acquisition of lines, and I can visualize in the past where a non-profitable line has been forced on the Canadian National Railways by governmental purchase. To that extent I realize the implication of what you have said. But then the second subdivision of my question is the operation of the facilities already acquired. To what extent, if any, do the people, as represented by Parliament or by the Governments of the day, this Government and the last Government, interfere with the operation of the railways?—A. Well, in so far as actual operation is concerned, there is not very much interference at all. That, I think, is a mistaken idea entirely.

[Mr. S. J. Hungerford.]

By Hon. Mr. Moraud:

Q. There is interference after you are forced to operate 100 miles of line that you never expect to make profitable?—A. Yes, there is that broad obligation or requirement, or whatever it may be termed, to provide railway service under conditions that cannot be profit-making.

By Hon. Mr. Coté:

Q. Senator Moraud's question goes back to my first point of acquisition. But the moment you have acquired a railway, I want to know to what extent there is Government interference. I do not mean political interference.—A. You mean the number of trains run, and things of that kind?

Q. In the operation of the system?—A. None.

Q. So in running the railway you are at this disadvantage, that unprofitable lines from time to time have been, I would say—

Hon. Mr. MORAUD: Unloaded.

Hon. Mr. COTÉ: —unloaded on the system?

The WITNESS: To a very considerable extent, sir, we started that way, because the Canadian National Railway system was originally composed of lines that were unable to carry on. They had not earned or paid anything on their fixed charges for some time before.

Q. Will you go a little further in connection with the operation of lines? I do not suppose there would be very much difference between your operation of your facilities and the operation of the C.P.R.?—A. I would not think so.

Q. You give what you think is reasonable service where you have to operate your railways, and then you cannot curtail that service beyond a certain point, even if you wanted to, because the Railway Board is in the background and regulates all that sort of thing: is that correct?—A. That is correct. If we want to make a change in our train service we have got to get the consent of the Railway Board.

By Hon. Mr. McRae:

Q. You referred earlier in the day, Mr. Hungerford, to the expense of running the Transcontinental Railway. Do you think it would be practicable and economical and justifiable to run more than one transcontinental train across the country?—A. On all lines?

Q. What we will call one up-to-date transcontinental train.—A. That is, as between the Canadian Pacific and the Canadian National?

Q. Yes.—A. Oh, yes.

Q. Whether, in other words, co-operation there could not be worked out?—A. That is a very, very difficult matter, because both companies have found it necessary over extended periods to run even more trains.

Q. I mean one system. As a matter of fact, you referred to the expense of it, and I wondered if there was not some way in which that could not be minimized.—A. The difficulty lies in this fact. While there are common termini for those lines, almost invariably the lines serve quite different communities. For instance, west of Winnipeg the Canadian Pacific parallels the border pretty well to Medicine Hat and Calgary; whereas the Canadian National mainline goes northwest through Saskatoon and Edmonton. It is a question whether those communities, large and important as they are, are not entitled to a daily service of good quality. We have felt that they were so entitled. But these through trains never have been through trains so far as our line is concerned, for they have always performed local service practically from one end of the line to the other. On some sections they represent the only passenger service.

Q. Another question, Mr. Hungerford. I asked Sir Edward Beatty, and now I ask you: It appears indisputable that obsolescence is going on at a rapid pace on the railways in the United States and, I presume, to some extent here. In the march of time is it not going to require a great deal of capital in the way of new equipment and betterments if we are to keep up to the same standard as the roads to the south of us?—A. I think possibly you have in mind the deisel-propelled light-weight, high-speed equipment in the States?

Q. They are carrying that very far now.—A. I cannot visualize any very radical change in the construction of locomotives and freight equipment, and things of that kind. Passenger equipment may lend itself a little bit more to developments of that sort. Improvements will be effected of course continuously. Probably the largest development will be by the greater employment of alloy steels of lesser weight, and things of that kind. There has been a very considerable beginning made already; but so far as the usual equipment is concerned, apart from the special feature train, I do not see anything but normal development ahead.

Q. There is a good deal of agitation in the United States now that the roads are getting antiquated, and that new equipment should be introduced to bring the roads up to date as an unemployment relief measure.—A. I think there is really a lot of misunderstanding and possibly some exaggeration in regard to that.

Q. The trouble is a great many people riding across the continent in those trains like them very much.—A. Yes. The newest train put on is propelled by steam on the run from New York to Chicago.

Q. The one running from New York to San Francisco is a modern deisel train that makes the trip in thirty-six hours?—A. Yes.

Q. You have got to reserve accommodation on that three weeks or a month ahead.—A. There is that development of special passenger equipment. I have felt that the field in Canada was not sufficiently large for any general use of that equipment. But, to come back to your original thought, as to the probability of considerable obsolescence of railway equipment, generally I cannot see it. It will be improved in design as it has always been progressively, and modern equipment is very much more efficient and capable of performing very much more work. But as to throwing away a lot of equipment and spending huge sums of money to replace that equipment, I cannot visualize such a situation. We have gone through the period of replacing wooden cars; that has been accomplished.

By Hon. Mr. Haig:

Q. Do the Government interfere, if you want to close up some shops, more than it would if the shops were privately-owned?—A. It is twenty years since I worked for a privately-owned company. I really do not know.

By Hon. Mr. Ballantyne:

Q. Let me put it this way, Mr. Hungerford. Suppose traffic is decreasing, and the Canadian Pacific decided to lay off, say, 2,000 men; and you felt it was necessary to close down your shops at Winnipeg and Montreal and so curtail the number of your employees. The C.P.R. could do it on their own initiative; but I am under the impression you would have very great difficulty in laying off the same number of men. In fact, I doubt very much whether you would be able to do it.—A. All I can say is, we have done it frequently in the past.

By Hon. Mr. Moraud:

Q. How many did you lay off between 1930 and 1932, say?—A. I don't know how many; we laid off a considerable number during that period as [Mr. S. J. Hungerford.]

distinguished from those that simply terminated their seasonal work and were not taken back. Of course, there was a drop in the staff of between 30,000 and 40,000.

Q. Between 30,000 and 40,000?—A. Yes.

By Hon. Mr. Haig:

Q. The 1st of June this year did you lay off any shopmen?—A. Yes, on the Atlantic Division, and we reduced the days of work.

Q. On the Central Region?—A. No, nor on the Western Region; but we reduced the days of work for the two months.

By Hon. Mr. McRae:

Q. There was quite a protest, too.—A. There is always a protest. If you lay off one man at a place there is a protest, but that is something you have to face.

The CHAIRMAN (Hon. Mr. Beaubien): Are there any more questions?

Hon. Mr. SINCLAIR: We were to get an explanation as to page 22, in reference to the question asked by Mr. Meighen before we adjourned at the noon hour.

Mr. BIGGAR: The question with regard to the \$500,000,000?

Hon. Mr. SINCLAIR: Yes.

The WITNESS: This was prepared for me by our Bureau of Economies, and was accepted as such, and here is a little memorandum that covers it, I think. With the permission of the Chairman, I would ask Mr. Fairweather to read it and to answer any questions about it.

Mr. BIGGAR: Yes.

Mr. FAIRWEATHER: (Reading):—

The statement contained on page 22 of the brief that the national income of Canada exceeded the national outgo by over 500 millions of dollars for the year 1937 is based upon publications of the Dominion Bureau of Statistics, arranged to show the addition of capital surplus to the people of Canada for the fiscal year 1936-37. The additional savings to the people of Canada are represented by increased saving bank deposits, increased life insurance, a decrease of indebtedness outside of Canada and an increase in construction of homes, stores, factories, etc., within the country. Expenditures by governments and provinces on capital works were not included, because it was impossible to segregate such works from unemployment relief expenditures. The principal items representing the increased savings to the people of Canada in the year are as follows:—

Increase in savings bank deposits.. . . .	\$ 52,434,000
Net increase of life insurance.. . . .	91,045,000

Right Hon. Mr. MEIGHEN: Life insurance?

Mr. FAIRWEATHER: That is the amount of premiums paid, less death dues. It is the net increase in life insurance outstanding.

Right Hon. Mr. MEIGHEN: It has nothing to do with premiums at all.

Mr. FAIRWEATHER: It represents the difference between the premiums paid by the public, and the death dues paid by the companies to the public.

Securities outside of Canada retired less new securities issued.. . . .	\$ 156,100,000
Net capital transactions of international branch plants.. . . .	74,200,000

Private capital construction within Canada..	143,223,000
Insurance transactions of foreign companies, net.	26,000,000
Total..	\$ 543,002,000

The Dominion Bureau of Statistics report on international balances for 1937 contained the following paragraph:—

It is almost correct to say that Canada is amortizing her foreign debt at a rate of between $3\frac{1}{4}$ and 4 per cent per year. . . . capital goods which were created in former years are paying returns and the surplus production as compared with consumption is permitting a gratifying reduction in foreign indebtedness. The results suggest that, on the whole, former investment in Canada has been sound.

Hon. Mr. HAIG: The \$52,000,000 may have been diverted from some other source to savings deposits, and the same is true of life insurance and building.

Right Hon. Mr. MEIGHEN: We have it down now. It will be very interesting.

The CHAIRMAN (Hon. Mr. Beaubien): Are there any more questions, gentlemen?

Mr. BIGGAR: With the permission of the committee, we might take a few minutes to deal with the documents asked for last week, and which are available now to be put in.

The first document asked for was a detail of the \$64,268,000 of savings in connection with transportation generally. It is item 3, I think, in the main schedule of the Canadian Pacific. I have got that and will state to the committee generally what it shows. The reduction in train, locomotive and car miles represents a total of about \$17,000,000, divided into $10\frac{1}{2}$ passenger and 6½ freight. The reduction in supervisory, traffic and general expenses represents 13·6 millions. The common use of facilities and equipment, reclassification of lines and consolidation of operations, represent a sum divided under several heads, as follows: road and yard, eleven and a quarter million; shops and engine houses, seven and a half million; stations and offices, three and three-quarters million; road service, \$1,600,000; yard service, three and a half million, and other, one and a half million. Then there is a column with regard to incidental economies from unification, which includes \$1,600,000, largely advertising, and \$2,500,000 of locomotive fuel. These make a total of \$4,121,000. All those add up to the \$64,000,000. Then there is a final column which gives the distribution among the various headings of maintenance of way and so on of line abandonment savings included, amounting to seven and a quarter million. Details with regard to the subordinate heads are attached. I think this might go in, though the first page alone is probably all that we need refer to. It will be Exhibit No. 80.

The next document asked for was the operating ratio of the unified system for 1930. The details of that are given on a single sheet. It shows that under unified management the operating ratio would be 70·5 as against 85·6 for combined operation. That will be Exhibit No. 81.

The third is a comparison of unit costs in the years 1930 and 1937 as between the Canadian Pacific and the Canadian National systems. That is given for each of the detailed heads under maintenance of way, and covers three or four pages. With regard to that I must tell the committee that the Canadian National has a very strong objection to a comparison between the unit costs of the two systems, for various reasons that have been set out in a long document handed to me. But the Canadian Pacific disagrees with these reasons, and do not think it would be useful at this time to go into these differences of documentary material. The comparison, however, must be submitted subject to that reservation. It will be Exhibit No. 82.

[Mr. S. W. Fairweather.]

The next document is the valuation of the telegraph companies. I do not think this need be printed, though it should be given a number. What I have got before me is not the document itself or the documents themselves. I did not bring them over. They are each of them a large volume about twenty inches long, fourteen inches high and three inches thick. The Canadian Pacific and the Canadian National each got one of these, and each is preceded by a general statement running to about 6, 7 or 10 pages, showing the basis upon which the valuation was made. There is also a schedule giving the details of the valuation in tabular form. I have not attempted to get both statements of the bases, because they are very much the same, but the Canadian Pacific have been able to give me a copy of the basis that precedes their valuation, and I have compared it with the Canadian National basis, and they are so closely identical that I think one of them will do with the two schedules. That will be Exhibit No. 83.

The next document is the Montreal Telegraph agreement, which is a comparatively short document. It will take only three or four pages to print it. It provides for the return of the system with additions, and I think it might be printed, because the actual provision may be relevant. That will be Exhibit No. 84.

The next two documents relate to the question of abandonments as dealt with in Exhibit No. 56, which is the Canadian National statement as to the disposition of the 2,098 miles that was common to the two abandonment programmes. The Canadian Pacific does not agree with that distribution or indication of the position of each, and has submitted in tabular form its views about that. I think we can print that for comparison. It will be Exhibit No. 85.

Finally, there was the request for information with regard to the distribution of an amount that appears in Exhibit No. 62, at page 938, in respect of payments for injury. There was a request for an indication of how much related to employees and how much to others. The figures for 1930 are not available, but the distribution for the same item for 1937 is six-sevenths to employees, and one-seventh to others, and I think that is really all we need.

Hon. Mr. HUGESSEN: There is just one question with reference to Exhibit No. 81 and the operating ratio suggested of 70·5 per cent under unification for the year 1930. For my own information and the information of the committee, I think it might be advisable to get, in support of that or as an appendix, a statement of the operating ratios during that year of the principal railroads in the United States.

Mr. BIGGAR: I have them for last year, but I have not them for 1930.

Hon. Mr. HUGESSEN: I should like them for 1930, so as to make a comparison.

Mr. BIGGAR: No doubt they can be got, Senator.

Subject to the Committee's approval, there are three Vice-Presidents of the Canadian National here to be heard. They are all going to address themselves to details, particularly of line abandonment. Mr. Appleton is from the Atlantic region; Mr. Kingsland is from the Central region, and Mr. Warren from the Western region. They would not follow logically now; the logical precedence would be to hear Mr. Fairweather now, but it seems to me that we might properly hear these gentlemen and let them go back to their work. That is subject to the Committee's approval, of course.

Hon. Mr. McRAE: It would be better if the map could be marked, before we go into the abandonments.

Mr. BIGGAR: I have arranged for that to be done, and I think it can be done during the supper adjournment.

The CHAIRMAN (Hon. Mr. Beaubien): As time is getting very short and we still have a lot of work to do, it is suggested that the members of the Committee should have the kindness to come back at 8 o'clock.

At 6.05 p.m. the Committee adjourned until 8 p.m.

EVENING SITTING

The Committee resumed at 8 p.m.

Mr. BIGGAR: We begin with Mr. Appleton.

Hon. Mr. ROBINSON: Mr. Chairman, somebody asked a while ago if these proposed abandonments could be divided up into provinces. I wonder if that has been done?

Hon. Mr. MURDOCK: They are divided into provinces, at pages 427 and following of the record. You will find it starts there at the east and goes west.

Mr. W. U. APPLETON, Vice-President and General Manager of the Canadian National Railway, Atlantic region, appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Appleton, you are the Vice-President and General Manager of the Canadian National Railways, Atlantic region?—A. Yes, sir.

Q. You were going to direct the attention of the Committee to some matters in relation to abandonment of transcontinental lines east of Diamond Junction Quebec?—A. Yes.

Q. Have you got your submission in the form of a memorandum?—A. To some extent, yes.

Q. Will you just go on?—A. I intend to deal chiefly with the proposed abandonment of the National Transcontinental Railway, Chipman to Cyr, New Brunswick, 146 miles; and Diamond Junction, Quebec, to Edmundston, New Brunswick, 225 miles, a total of 371 miles of railway which costs the people of Canada at least \$31,000,000. Such a proposal could only be the outcome of a very superficial examination and without any conception whatever as to the result economically or with respect to the through or local traffic. This portion of the railway serves a population of approximately 96,000 people.

By the Chairman (Right Hon. Mr. Graham):

Q. Could you tell us the name of the railway of which those portions form a part? Are they part of the Transcontinental, the Intercolonial or what?—A. No, sir, it is the dark section on the map that runs from Diamond Junction to Chipman. That is part of the National Transcontinental. The industrial investment is estimated at \$11,256,000, not including the development at Edmundston or on the line between there and Cyr, which would increase this by several million dollars and make it evident that the abandonment of any portion of the railway would have a very serious effect on the economic welfare of the communities it serves. I might mention some of the stations to give you some indication of the local traffic. Perhaps I should give the earnings. The local earnings for the year 1937 amounted, in my territory, that is from Monk to Chipman, to \$1,894,235; and from Monk to Diamond Junction, to \$238,000. At Riviere Bleue the revenue amounted to \$241,000. That is a station on the line between Monk and Edmundston. If the railway was taken away it would

[Mr. W. U. Appleton.]

leave those people more or less isolated, and the margin of profit in the handling of their business would be so small that I think they would have to move out. The same thing applies to Riviere Manie. The gross revenue there was \$141,000; and at La Fontaine it was \$143,000. I think these are substantial amounts, and we should give very serious consideration to the matter of abandoning a line that even enjoys local traffic to that extent.

By Hon. Mr. Black:

Q. There must be a very considerable amount of earnings from Edmundston to St. Leonard?—A. I am omitting the earnings at Edmundston, Green River and St. Leonard. The total gross in that territory was \$1,274,000. On the line from Diamond Junction to Chipman, excluding those stations, it would be about \$1,500,000.

By Hon. Mr. Moraud:

Q. Those figures are for local traffic?—A. Local traffic only.

By Hon. Mr. McRae:

Q. Does that include incoming as well as outgoing freight?—A. Yes, sir. For the six months ending April 30, 1938, the freight cars moved from Monk terminal were 60,416 and for the year ending April 30 they were 98,568. The daily average for six months was 334 cars, and for a year it was 270 cars. The average gross tons handled in through traffic was 2,047,824 for six months; and 3,315,125 tons for one year.

By Mr. Biggar:

Q. Those are absolute tonnages, not averages?—A. Absolute.

Q. You said average?—A. Those are the totals. The local traffic was 63,826 tons in six months; and for the year ending April 30, it was 965,340 tons. The total tonnage moved in six months was 2,711,650 tons, and for the year 4,280,465 tons. Actual net tons per mile of road—daily average for the N.T.R. 4,911 tons, and for the Atlantic region 1,576 tons. I mention that to indicate the difference in the density of traffic on the Atlantic region as compared with the tonnage on the National Transcontinental.

Another rather interesting feature is that the National Transcontinental from Moncton to Monk represents 356 miles of track. The total mileage of the Atlantic Region is 3,030 miles. The percentage of the National Transcontinental to the Atlantic Region mileage is 11.7. The net ton traffic on the N.T.R. is 1.5 per cent. So that we are handling 41.5 per cent of traffic which moved in the Atlantic Region on 11.7 miles of N.T.R. track, indicating the importance of this track.

Operating economies in the movement of through traffic, National Transcontinental versus I.C.R. or C.P.R., or the latter railways combined, amount to \$727,807 per year, or more than sufficient to maintain that portion of the National Transcontinental and keep this important traffic lane open. In other words, if you withdrew the through traffic that operates over the National Transcontinental you lose an economy as against the operation of that through traffic either by the C.P.R. or the I.C.R. of \$727,000 odd. That is more than sufficient to maintain the track and structures of the Transcontinental and gave a surplus of \$46,700 per annum, without taking into account the increased track maintenance on the Intercolonial and the Canadian Pacific that would result through the diversion of the traffic now going over the track in question.

I hope I have made myself clear. To move a train on the Transcontinental one mile with a given unit of power would require a mile and a half of similar service on the C.P.R. or Intercolonial. On that account we get these economies.

The resistance eastbound on the Transcontinental, owing to grade, is about eight pounds per ton, and the resistance on some parts of the Intercolonial and of the Canadian Pacific, based on $1\frac{1}{2}$ per cent grade, is actually thirty pounds per ton.

By the Chairman (Right Hon. Mr. Graham):

Q. What grade did you say the Transcontinental has?—A. Four-tenths of 1 per cent eastbound and six-tenths of 1 per cent westbound.

The local passenger traffic reflects the industrial development of the territory, and it might be mentioned that 11,336 revenue passengers were handled between Edmundston and Monk during the six months November, 1937, to April, 1938. The large proportion of this was local business. There was also quite a heavy local business between Monk and Quebec city.

The strategic position of the N.T.R. in time of war will also be apparent because of the fact it is in all-Canadian territory and a sufficient distance inland to be safe from attack by sea. On the other hand, the Canadian Pacific line passes through the State of Maine for a distance of approximately 201 miles or 41.65 per cent of the distance between Saint John and Montreal, and in the event of war could not be used for the movement of munitions and troops unless the United States were an ally. For heavy troop movements the N.T.R. route would be of great value because of the longer trains that could be handled there on either the I.C.R. or the C.P.R.

There is quite a heavy capital investment in communications along the N.T.R. route, such as commercial telegraph lines and radio broadcasting circuit, and it is preferred for these services because of the shorter distance and the freedom from weather interruptions during winter. It is estimated that to transfer these facilities from the N.T.R. to the I.C.R. would entail an expenditure of about \$204,000.

Another feature is, we are building up quite an important import and export traffic over the Transcontinental. We can move trains about four hours faster over that route than on the Intercolonial, and it is almost entirely free from passenger service and lends itself admirably to the movement of heavy freight trains. Last winter we moved nearly a quarter of a million tons of coal from Sydney to Montreal and points in Ontario, and I am very doubtful if we could have handled that traffic without a substantial loss by the other route.

During the period November, 1937, to April, 1938, inclusive, the traffic density averaged 6.362 net ton miles per mile of road daily. During the same period 664 freight trains were operated eastward and 678 westward, making a total of 1,342, or an average of 7.4 trains a day, with the maximum reaching 13 trains on one particular day. Excluding locals there was an average of 6 through trains daily which would require 10 trains if this traffic were diverted to the I.C.R., and, from information available, 11 trains via the C.P.R. route. The statement was made that the traffic of the Transcontinental consisted of one train a day, and that the Canadian Pacific could absorb half of one of those trains in its light trains westbound, overlooking entirely that if the trains were running light westbound, they must have been loaded eastbound, and I do not know how they propose to handle the eastbound traffic. On the one day with 13 through trains it would have required 20 trains over the I.C.R. or about 21 trains over the C.P.R. to handle the same tonnage.

Local freight traffic over the N.T.R. for the period under review was 14 per cent of the total moved eastward and 34 per cent of the total moved westward. This local traffic consisted mostly of coal from the Minto and Springhill mines for the Fraser Companies at Edmundston and Madawaska, together with farm and forest products.

[Mr. W. U. Appleton.]

I have Exhibit No. 3, which shows a comparison of the utility of two C.N.R. routes and demonstrates that at least 55 per cent more train miles are required to move a given volume of tonnage over the Intercolonial than would be needed to move the same traffic via the National Transcontinental.

By Mr. Biggar:

Q. You are speaking of Exhibit No. 3?—A. I have it marked in my memorandum.

Q. Do you want to refer to it in your evidence?—A. Yes, sir.

Q. It will be Exhibit No. 86. It is a statement in regard to what?—A. It is a comparison of the utility of the two C.N.R. routes and demonstrates that at least 55 per cent more train miles are required to move a given volume of tonnage over the Intercolonial than via the National Transcontinental.

Q. That is by reason of the heavier grades?—A. Yes.

Q. Has it anything to do with the comparative length of the two lines?—A. It reduces the operating condition to a percentage basis and makes it simple.

Q. Do both those factors enter into the percentage, or only one?—A. Distance and resistance.

Q. What is the difference in distances?—A. The difference is shown here. Montreal to Saint John via Canadian Pacific-Maine Central is 481.7 miles. That is shown in detail. 41.8 per cent of this mileage runs through the United States. Montreal to Moncton via the Canadian Pacific-Maine Central-Canadian National is 571 miles. Montreal to Moncton via Canadian National (Intercolonial) is 647.4 miles. Montreal to Moncton via the Canadian National (National Transcontinental) is 613.3 miles. Montreal to Saint John via Canadian National (Intercolonial) is 736.7 miles. Montreal to Saint John via Canadian National (National Transcontinental) is 702.6 miles.

Q. I am afraid I have not followed that comparison. But you told us a moment ago that 100 train miles, as I understand, on this line you are speaking about was equivalent to 155 on the Intercolonial Railway.—A. Yes, sir.

Q. And my question was, how much of that is due to the longer haul, and how much to the worse grades.—A. It is all due to grades.

Q. All due to grades?—A. Yes, sir.

Q. None of it is due to longer haul?—A. No, sir. It is resistance that makes the comparison.

Q. In other words, it is really a question of breaking it up into more trains?—A. That is it.

Q. Consequently you have more train miles but smaller trains?—A. Yes.

Q. But in each case you are taking the normal maximum weight of trains that can be carried over the line by an engine of a given power. Is that 100 per cent engine?—A. We are using a 53 per cent engine. That means 53,000 pounds drawbar pull or tractive effort.

Hon. Mr. BLACK: Is the route from Montreal to Moncton via the National Transcontinental shorter than via the Intercolonial?—A. Yes, sir.

Hon. Mr. MURDOCK: 613 as against 647.

The WITNESS: Some 40 miles difference.

Hon. Mr. BLACK: I misinterpreted your figures. I was afraid you were not doing justice to one of the lines.

By Mr. Biggar:

Q. You were going to compare the National Transcontinental line and the C.P.R. on the same basis?—A. Yes, sir.

Q. Perhaps before you leave that comparison between the National Transcontinental and the Intercolonial you can give us a figure that includes both additional length of haul and the disadvantage of the greater grades?—A. I have a statement here respecting the diversion of freight traffic from the I.C.R. between Riviere du Loup and Moncton.

Q. I am afraid the figures will not be right.—A. Yes, they are absolutely right. That heading is just an error. I will read this if you will permit me.

Q. Yes.—A. The physical characteristics of the alternative routes between Joffre and Moncton are such that heavier trains can be handled over the N.T.R. The density of passenger traffic also being lighter on the N.T.R., with better facilities for the yarding of trains at Monk, Edmundston and Napadogan than at Riviere du Loup, Mont Joli and Campbellton, it is possible to give quicker despatch via the N.T.R.

The utility of the N.T.R. route as compared with the I.C.R. for freight operation is demonstrated by the following table, which shows the number of trains it would be necessary to run over the various portions of the two routes, using 53 per cent Mikado type locomotives with full rating to handle eastward 100,000 gross tons in 2,500 cars, the average gross tons per car being about 40 tons. Now, the National Transcontinental route requires 16,239 train miles to handle a gross tonnage per train of 2,827 tons. On the I.C.R. it would require 5,138 train miles to handle a gross tonnage per train of 1,957 tons. In order to be positive about this we took the actual gross tonnage of the trains and worked it out on that basis.

Q. For 1937?—A. For any period. This shows that 55 per cent more train miles are required on the I.C.R. than on the N.T.R. to handle the same amount of traffic without regard to the more adverse weather conditions on the I.C.R. That is another thing we are up against. I have known a snowfall in the Matapedia valley of 168 inches, and of traffic being tied up seriously, whereas inland, on the Transcontinental we did not meet with that condition. We have also had washouts. I remember on one occasion the Canadian Pacific had a washout and had to divert their traffic over our line, and they paid us \$90,000 in detour charges. Of course, that is apt to happen to anyone. But we were fortunate on that occasion.

By Hon. Mr. Sinclair:

Q. You do not get that on the— —A. We never had anything of that kind on the National Transcontinental. The snowfalls are more even, and the winds are not as great. The Intercolonial, being exposed to the Bay of Chaleur and the Northumberland Strait, gets some terrific weather conditions.

It may also be remarked that an increased grain movement, for instance, resulting in greater average gross tons per car, would raise this percentage, the increase in train miles via the I.C.R. increasing to 61 per cent where cars average 60 gross tons.

The data shown above relates to eastward movements only, but as the operating conditions affecting westward movements are very similar, it would seem unnecessary to treat them separately, except to point out that on the I.C.R. full tonnage trains must be assisted in each direction over the Sayabec grade, a distance of 29 miles, whereas on the N.T.R. there are 13 miles of pusher grade eastward to Summit, and 13 miles of pusher grade westward to Pelletier.

By Mr. Biggar:

Q. Does that cover the figures?—A. I think so.

Q. Those figures are all based on 1937?—A. Yes, sir.

[Mr. W. U. Appleton.]

Q. There has been considerable change since.—A. I thought that question might come up, and I have a statement here showing the interchange of cars at Monk for the years 1927 to 1937 inclusive. It might be assumed that traffic was not very good in 1930, but I find that 72,830 cars went through the Monk gateway in that year as against 81,730 in 1937. That indicates, I think, at least to some extent, the very excellent freight service we have been able to give on that line, and that it is resulting in increased export and import traffic.

Q. My attention is called to the evidence you gave before the Duff Commission, page 380, in which you were asked about returns on the Transcontinental portion. Your answer, as I understand it, was this: —

Oh yes, they did at one time grow substantially, but with the depression and the falling off of import and export traffic to the extent that it has, the traffic is very light.

Then you were asked by Commissioner Webster:—

Mostly forest products?

And your answer was:

Yes, and not much of that at the present time.

Then again at page 399:

Commissioner Murray: Would the National Transcontinental line be the best on which to handle tonnage?

Mr. Appleton: Yes, the natural route would be down the Transcontinental. We had a little flurry of wheat one winter—fifteen trainloads of fifty cars each on the Transcontinental in one day, but it was just a day.

Does that refer to the same thing?—A. That would be a peak day, what we might call a peak movement for one day.

Q. But it did not last?—A. We might have had a fairly good movement outside of that.

Q. During the War the traffic did move freely over the C.P.R. across Maine?—A. No, sir, not to my knowledge.

Q. Do you mean you know it didn't, or you don't know of it having been so?—A. Not until the United States went into the War.

Q. You think it did not?—A. No, I don't think it did. I know there was not a soldier moved by the C.P.R. They all moved from Montreal to Halifax via the Intercolonial.

By Right Hon. Mr. Meighen:

Q. But why would not freight move that way, the same as at any other time?—A. The United States not being in the War, I understand they could not move munitions and stores that way.

Q. Maybe not munitions, but regular freight?—A. Of course regular freight would move that way, but the bulk of the tonnage—

Q. Why would they not move munitions when they were moving their own munitions?—A. I could not answer that.

Hon. Mr. BLACK: It was before the United States came into the War.

Right Hon. Mr. MEIGHEN: They were moving their own munitions.

The WITNESS: It was generally understood by local operating officers, including myself, that there were no munitions or stores moving by the Canadian Pacific to the seaboard. It is possible that there were, and that we were not aware of it.

Right Hon. Mr. MEIGHEN: I do not say they were; but I do not know that they were not.

The WITNESS: I know we moved a million soldiers.

By Right Hon. Mr. Meighen:

Q. Certainly they could not move the soldiers.—A. None of them moved C.P.R.

By Hon. Mr. Black:

Q. You could also move through passenger traffic very much more cheaply and expeditiously over the National Transcontinental than over the Intercolonial, could you not?—A. As a straight operating proposition, yes, but the local traffic—

Q. Local conditions.—A. Local conditions prevent that without additional train miles.

Mr. BIGGAR: I think that covers the ground, Mr. Appleton, unless you have something you would like to add.

By Hon. Mr. Moraud:

Q. What about the local conditions referred to at Edmundston? How many settlements are there between Edmundston and Diamond?—A. I have here, senator, details in connection with that. I could file that.

Q. Would you file it?—A. Yes, sir.

Q. It has been suggested by Mr. Macnabb that the local traffic could be taken care of by the Temiscouata Railway?—A. I might mention Riviere Bleue, where the revenue, I think, ran up to \$240,000. Here is the notation:—

This station serves also Landry's Siding, where the D'Auteuil Lumber Company carry on a very large pulpwood operation, drawing pulpwood from the State of Maine, the average yearly cut amounting to 25,000 cords, all of which is shipped out by rail, largely to Mechanicville, New York. If the line were abandoned in this district, the only outlet for this wood would be to stream-drive to a point on the Bangor & Aroostook Railway.

Then we would lose a quarter of a million of revenue.

Q. Can the Temiscouata take care of the traffic on that Transcontinental line?—A. No, sir.

Q. What are the distances between the Transcontinental and the Intercolonial?—A. It runs from about 12 to 20 miles. It is a very rough country, and it is almost impossible to operate in that country in the winter time.

Q. Can the Intercolonial take care of the local traffic?—A. It could if you could get it to the Intercolonial, but that traffic, which is largely forest products, is developed to the south of the Transcontinental. They bring it in 8 or 10 miles, and you would have to add 10 or 20 miles over rough country.

Q. You are taking care of traffic on both sides of the line, from the border between Canada and the States?—A. That is what I tried to say.

By Right Hon. Mr. Meighen:

Q. I am advised that you are quite mistaken about the munitions; that there was no distinction drawn.—A. That may be possible, senator. I know that we were taxed to capacity, and that there were occasions when we went up as high as 17 troop trains in a day and had to suspend the freight entirely.

Q. That would be to take troops under the colours?—A. Yes, sir.

[Mr. W. U. Appleton.]

By Hon. Mr. McRae:

Q. Would you give us your idea of the farming possibilities along the line if settlement increased, and what we might look to in the next 15 or 20 years?—A. Pionering is going on there wonderfully. For instance, at New Denmark, in New Brunswick, there is a very prosperous Danish settlement that this serves. There are five potato warehouses. If the line was abandoned it would mean an average haul of 10 miles to the nearest railway facilities.

Q. What percentage of the country is suitable to agriculture?—A. Quite a percentage.

Q. Half of it?—A. I wouldn't say that. It is a pretty rough country.

By Hon. Mr. Black:

Q. Probably 30 to 35 per cent?—A. Yes, sir. If you withdraw the movement of through traffic from that line you lose an economy of \$750,000. That economy pays for the maintenance of the tracks and structures on that line, and you therefore get a local service without cost at all. You serve the communities there without cost to the country or to the company.

By Hon. Mr. Moraud:

Q. What is the distance between the Temiscouata Railway and Diamond Junction?—A. Temiscouata and Diamond Junction? It would be 220 miles, perhaps 230.

Q. There is no question whatever of these communities being served by the Temiscouata Railway?—A. I beg your pardon?

Q. There is no question whatever of serving all these communities along the Transcontinental by the Temiscouata Railway?—A. It cannot be done. A look at the map will show that. It only follows for a certain mileage, and is gone altogether.

By Hon. Mr. Hugessen:

Q. It is a very poor line with very heavy grades.—A. The rails are about 60 pounds, and one of our engines if put on there would probably go out of sight.

By Hon. Mr. Moraud:

Q. You said you would file that statement as an exhibit. Is it filed already?—A. I will file it right now. I will also file one of the local earnings.

By Mr. Biggar:

Q. I just remember that I had a bit of information on a point that I would like you to verify. As a matter of fact, is the capacity of any of these three lines not more than sufficient to carry all the traffic that all three of them carry?—A. That is, are they being operated to their capacity?

Q. Yes.—A. Oh, not 50 per cent.

Q. Is it not something less than 50 per cent? Two out of those three lines would carry all the traffic and as much again, would they not, even on the 1928 basis?—A. No. I would say the Canadian Pacific is pretty nearly up to its capacity during the winter months, but the Transcontinental could easily absorb all the traffic over the Intercolonial.

Q. And over the Canadian Pacific too, could it not?—A. No. I do not think one line could handle the combined traffic of the three railroads on peak occasions in the winter time.

Q. The figures I have here are that the National Transcontinental has an estimated capacity eastbound of 800 gross tons per month, and westbound of 700 tons and that the actual peak was 779, eastbound.—A. Tons?

Q. Yes.—A. You would handle as high as 4,000 tons in one train, on the Transcontinental.

Q. These, of course, are in thousands. That is, 800,000 gross tons?—
A. Well, it would be taxing the line to its capacity, and we would have to put in additional passing tracks and some block signals.

Q. You would say that that was more than the capacity, would you? It has not now as it stands a capacity of 800,000 gross tons a month, eastbound?—

A. I would not like to say that offhand, but I would say that with the passenger trains and freight trains operating at present, or during the winter months over the Intercolonial and the Canadian Pacific alone, with the traffic on the N.T.R. that it would slow the traffic down very much, and I am afraid we would lose a lot of import and export traffic to perhaps Atlantic ports in the United States.

Q. Could either the Intercolonial or the National Transcontinental carry all the traffic of both?—A. There would be delay on the Intercolonial at certain times. But the Transcontinental I think could handle it all.

By Hon. Mr. Moraud:

Q. Mr. Appleton, you have given here in that exhibit the names of the stations. You have not given the names of settlements or communities along the Transcontinental?—A. No, I have not that information.

Q. And the population of those?—A. Well, the population is shown there, and it includes the settlements, generally speaking, as near as we could get it.

Q. You have no idea how many settlements there are between Diamond and Edmundston?—A. Well, the stations as given there serve all the settlements, and the population includes the settlements.

Mr. BIGGAR: I have got the second page of that exhibit, of which Senator Moraud has the first page, and I understand it shows the local stations along the line.

The WITNESS: Yes.

By Hon. Mr. Moraud:

Q. But besides the stations there are a good many local settlements—A. Yes. We combined the population. Riviere Bleue, for instance, serves three or four settlements.

Q. You have no idea what the increase in the population has been since the Transcontinental was built?—A. It has been considerable. There have been a lot of new settlements started up.

By Mr. Biggar:

Q. The third of your exhibits shows population and tons of freight, and gross revenue, and so on, in 1937. That will be Exhibit 88.—A. There is a further statement giving similar information between Diamond and Monk, which is really a part of the other one.

Mr. BIGGAR: It can be made part of Exhibit 88.

By Hon. Mr. Moraud:

Q. Most of the settlements along the Transcontinental were for lumbering operations at the time the Transcontinental was built?—A. Yes.

Q. Now most of the settlements are farming settlements?—A. They are a combination of farming and lumbering.

By Hon. Mr. Côté:

Q. If I understood you correctly, you said you had a traffic of six or seven trains a day each way from Diamond Junction to Moncton?—A. Yes, on certain days.

Q. And on certain days it went up as high as 13?—A. Yes, but not in each direction; that was in both directions.

[Mr. W. U. Appleton.]

Q. Is that enough traffic to carry the line?—A. I have submitted a statement showing \$700,000 economy as against independent lines, and I would be quite willing to have any independent expert check those figures.

Q. I am not questioning the figures. I am asking if that is enough traffic to pay for operation of the line?—A. My statement is very definite to that effect.

Q. So that part of the Transcontinental is not a detriment to the Canadian National?—A. No sir. After maintaining the track and structures it produces about \$46,000 in net economy plus, if you move that traffic to the I.C.R. or the C.P.R., the additional burden of track maintenance. You could not move that considerable volume of traffic off the Transcontinental onto either the C.P.R. or the I.C.R. without increasing the maintenance cost there. That has not been taken into consideration in the economy I have mentioned.

Q. I just wanted to know whether this part of the Transcontinental fell within the description of lines that I was discussing with your President this afternoon, thin traffic lines which are unprofitable and which have been wished on the Canadian National system by the country and are therefore an encumbrance to the Canadian National.—A. As an operating officer I would be very much disappointed if the Transcontinental line was taken away from us, because it is our real property.

Q. From an operating point of view it is not an encumbrance?—A. No sir, it is an asset.

Q. You would not call it a thin traffic line, would you?—A. I gave the figures there. The tons per mile of road daily are something around 4,000, and the average for the Canadian National system is around 1,600. So it cannot be very thin, on that basis.

By Hon. Mr. Hugessen:

Q. There is one question I wanted to ask you in connection with the Saint John River valley line. One of the Canadian Pacific witnesses—I cannot recall just which one—made a statement in reference to the movement of freight from Canadian National points east of Saint John, such as Moncton, for instance, to the United States, through McAdam Junction.—A. I think there was a misunderstanding there on the part of the Canadian Pacific representative who made that statement, because the traffic east of Moncton destined to points in the United States moves up to McGivney, and out that way, out through Fredericton, and the difference is I think about 23 miles. Of course if you route that traffic up the valley line, then it makes a substantial difference. But we do not handle it that way. We handle it by the Transcontinental to McGivney, across to Fredericton and to the United States.

W. A. KINGSLAND, Vice-President, Canadian National Railways, Central Region, appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Kingsland, I understand you are Vice-President of the Canadian National Railways, Central region?—A. Yes.

Q. And you are now to tell us particularly about the Beaverton-Capreol and Nakina line?—A. Yes sir. Speaking with reference to Exhibit 50, starting on page 427 of the record, in connection with items 24, 41 and 44, it will be seen that the scheme for abandonment calls for the elimination of the Canadian National main line from just west of Ottawa to Capreol, and from Beaverton, 64 miles north of Toronto, through Capreol to Long Lac, then jumping 30 miles to Nakina and abandoning the main line from Nakina to Paddington, just east of Winnipeg. Further, it is proposed to take up the Canadian National line from Superior Junction, just east of Sioux Lookout, to Conmee, 35 miles west of Port Arthur, a total abandonment of 1,570 miles of Canadian National main line, all of which is the very best in Canada as to grades and curvature. The

population served in the area referred to is approximately 55,000; and in 1937 the earnings in the territory amounted to \$3,000,000. That is local earnings, in and out from the stations, not counting through business. The property investment, other than railway, is estimated at \$24,000,000.

The section Ottawa to Capreol is a lumbering area, but 10 miles east of Capreol there are very important mining possibilities.

From Capreol west to Long Lac there are lumber, pulpwood and mining developments, and being in the mineral belt the area is under active investigation by the mining industry.

From Armstrong until the prairie lands are reached (approximately sixty miles east of Winnipeg) the Canadian National line runs through a territory which has seen probably the greatest mineral development during the past ten or fifteen years. At Collins west of Armstrong, the Chromium Mining and Smelting Company have been actively developing their property and have been shipping ore from this point.

Timber is being cut and marketed from Fees Mills on the N. T. R. about 100 miles east of Sioux Lookout and there are shipments of pulpwood from this area to the head of the Lakes and in the territory east of Sioux Lookout the line to Fort William runs through a heavily timbered country where the paper companies and other holders have large blocks of timber, which produce a heavy tonnage annually. In addition this line serves mining developments east of Sturgeon Lake.

At Savant Lake, 70 miles west of Armstrong, the winter road to the Pickle Crow Mine leaves the main line of the Canadian National Railway. This constitutes the short haul to the Pickle Crow mining area in the winter season, and in 1937 there were approximately 2,000 tons handled through this gateway to the various mines.

Sioux Lookout, which originally was only a railway terminal, has developed into a headquarters for the air service, radio service and the mining industry in this section, and as a result, the town has prospered through these sources and become a substantial community with the usual interests associated with the northern developments. It is the air base for the various air lines.

At Hudson, twelve miles west of Sioux Lookout, located on Lac Seul, is situated the base for the movement of freight into the Red Lake and Patricia areas by the transport companies. The water route from this point is approximately 110 miles and a heavy tonnage is handled by tug and scows during the season of open navigation and by tractor and sleighs during winter. The tonnage during 1937 from Hudson to Red Lake was:—

By air	2,404 tons
By tractor train on the ice during winter	5,898 "
By tug and barge during navigation	16,789 "
Total	<u>25,091</u>

This tonnage comprises mining machinery, mining supplies and tools, electrical equipment and similar commodities from eastern Canada, and meats and other supplies from the West. The tonnage through Hudson has more than doubled during the last two years, and on account of the activity in the Red Lake and Patricia districts, it will, undoubtedly, materially increase. The tonnage handled in 1937 indicates approximately the percentage that it is possible, or economically practicable, to move by air.

The waters tributary to the Canadian National Railway adjacent to this point serve a very large wooded area and the lumber mills located at Hudson and in that vicinity are shippers of forest products.

[Mr. W. A. Kingsland.]

At Minaki there are about two hundred summer cottages representing an investment of \$300,000, and a similar number of cottages representing a corresponding investment in various lake resorts between McIntosh and Ophir, a distance of 80 miles, and there is no access other than via the Canadian National Railways in this territory.

The line from Elma, fifty miles east of Winnipeg to Winnipeg, runs through good agricultural territory which is well settled and increasing in agricultural production year by year.

To abandon this potentially rich and productive north country appears to me as an industrial impossibility and from a railroad viewpoint the proposal to abandon or degrade this Canadian National Transcontinental road shows a lack of understanding of the conditions. Here you have on one hand a line with fine gradients and curvatures and on the other hand a line of heavy grade and sharp curvatures. On the Canadian National line it is possible on the first section under consideration, i.e., Ottawa-Capreol, to handle 50 per cent more tonnage in either direction per locomotive than on the corresponding C.P. line Smith Falls-Sudbury, and on the second section, Capreol-Armstrong, a locomotive can handle 80 per cent more tonnage westward and 110 per cent more eastward than can be handled on the C. P. line Sudbury-Fort William. In regard to the C. P. line Fort William-Winnipeg and the corresponding C. N. line Armstrong-Winnipeg, the C. N. line westward can handle 65 per cent more tonnage per locomotive than the C. P. line. Eastward, however, the C. P. can handle approximately 20 per cent more out of Winnipeg per locomotive than can the C. N. on its Winnipeg-Sioux Lookout line. This involves primarily the grain movement to the Lakehead.

In the event the abandonment of the C.N. line is not accomplished, it is indicated in the C.P. Exhibit 70 (page 943) that it is proposed to degrade the line and operate tri-weekly mixed service. This in my judgment should not be contemplated. All these people and industries have gone into this territory, invested capital and labour on the natural assumption that they would continue to receive adequate rail service. However, if the line were to be degraded, in our opinion, a minimum of straight passenger train service six days per week in each direction would be required between Capreol and Winnipeg, in addition to such local freight service as would handle the local freight traffic, which would probably be, in off seasons, three times a week, increasing during the heavy shipping seasons, but such a service would seriously affect the marketing ability of industries in the territory in question.

The abandonments contemplated in the C.P. proposal if made effective, in my opinion would set this whole north country back many years, and would cause a financial loss to Canada of many millions of dollars per annum.

In my judgment the line should neither be abandoned nor degraded, but on the other hand, as we have an ideal situation, the line should gradually be built up to the highest possible standard so as to provide the fastest and best possible route between Eastern and Western Canada, not only for the advantage of Canada, but in the interest of national defence.

That is my story.

By Right Hon. Mr. Meighen:

Q. Mr. Kingsland, do you contend that the Transcontinental in your territory just described is no burden to the National Railways at all?—A. I don't say that, Senator. It is a burden, there is no question about that; but it is building up the country, and it runs through a rich territory. It runs through the best mining territory in northern Ontario and Quebec.

Q. It is a burden financially?—A. It is a burden, there is no doubt. It does not pay at the present time, but there is a future to this country that must not be overlooked.

Q. The whole road is paying worse as the years go on. You are making out that this part is gaining. What is the part that is losing?—A. I did not say it is gaining. I just gave the earnings in 1937.

Q. It is not gaining; it is going to gain?—A. It is gaining a little each year.

Q. What is the part that is losing, that keeps going behind?—A. There is no question of doubt about this part of the National Railway, the Transcontinental, is losing money, but it is a prospect.

Q. It is continually improving, but the whole road, taking five years at a time, is certainly not improving in its financial results.—A. You have to take into consideration the business conditions in the country; they are bad.

Q. But then last year we had pretty good conditions, and pretty bad results.—A. Last year on the Central Region we had a net of \$11,000,000. In 1928 on the same region we had a net of \$32,000,000.

By Hon. Mr. Robinson:

Q. A net?—A. Net operating.

By Hon. Mr. Haig:

Q. Last year your net was what?—A. On the Central Region \$11,000,000.

Q. Profit?—A. Operating over revenue.

Q. And in 1928?—A. And in 1928 we had \$32,000,000 net on that region.

Q. What about 1934?—A. I have not the figures. I was in Western Canada in 1928, and their net earnings in Western Canada were \$16,800,000. That is the line that is no good!

By Mr. Biggar:

Q. It is apparent that we have too much mileage?—A. It looks so if you glance at that map.

Q. After all, what the committee is concerned with is how are we going to relieve the country of the burden. Do I understand that you say we must stand pat?—A. Yes.

Q. And wait for the draw?—A. That is my stand; draw another card.

Q. And if the pot gets too expensive in the meantime we just lose everything; is that it?—A. If those lines are abandoned your income from taxes is going to drop down more than the cost of carrying those lines.

Q. That is very serious?—A. It is.

Q. Do you mean the cost of carrying the line is going to mean more taxes in the future?—A. No. I say the loss you now receive in taxes will be greater than this line is costing you to carry.

By the Chairman (Hon. Mr. Beaubien):

Q. That would be the penalty of abandoning this line?—A. Yes.

By Mr. Biggar:

Q. Would it be the penalty of abandoning any line?—A. It depends upon the line.

Q. In this piece?—A. There are some lines can be abandoned with profit.

Q. In this case?—A. I would not take the Transcontinental line. You might take a section here or there, but to take up all the Transcontinental line would be a mistake.

Q. Will you give us a constructive suggestion of how we are going to relieve ourselves of this burden?—A. I cannot tell you how to do that.

Q. Are we just to go on and pay \$50,000,000 a year?—A. We hope the \$50,000,000 will become \$40,000,000, then \$30,000,000, then \$20,000,000, and so on.

[Mr. W. A. Kingsland.]

By Hon. Mr. McRae:

Q. Mr. Kingsland, you spoke about building up the grade of the road. That is a thin section one that does not pay. Would it not be possible to reduce the expenditure there and operate that section a little more economically under these adverse circumstances in the hope of gradually building it up until it will some day be paying?—A. My idea is if there is unification you should carry your tonnage on the line that can take the most per locomotive.

By Hon. Mr. Haig:

Q. Is not that your line?—A. Sure.

By Hon. Mr. McRae:

Q. I did not have unification in mind. I had your idea of building up the road. In view of the thin traffic, could you not operate those roads a little more economically?—A. That is our main job all the time, to watch the dollars. I heard someone ask a question here if it was possible on the Canadian National to lay off men without being called down. On May 19 I laid off 1,235 men, and I have not heard anything about it from Parliament or from anywhere else.

By Mr. Haig:

Q. If the roads were unified and you were manager of this Central Region, could not your line from Capreol to Winnipeg via Long Lac and Nakina handle all the traffic that goes over that line and the C.P.R.?—A. I would handle all the freight traffic over the low grade line, and some of the passenger traffic.

Q. Could the C.P.R. handle all the passenger traffic?—A. Well, they say they can. Perhaps they can. I should not like to answer that question.

Q. You would handle all the freight traffic?—A. I think we could without any trouble as far as Winnipeg. I do not mean any grain traffic.

Q. I am not asking you that.

By Mr. Biggar:

Q. Even apart from abandonment, you have no suggestion of how to save money?—A. No. We are doing that every day of the week. That is our job. That is why I am grey-headed.

By Hon. Mr. Coté:

Q. What did you mean about the loss of taxes?—A. If you tear up this line, there are 55,000 people there who will have to get out, and you will get no taxes from that part of the country. They are paying taxes now.

A. E. WARREN, Vice-President, C.N.R. Western Lines, was called as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Warren, you are the Vice-President for the Western region of the Canadian National?—A. Yes, sir.

Q. And your region extends from where to the Pacific?—A. From the head of the lakes, Duluth and Armstrong, to the Pacific coast.

Q. You were going to speak about the Kamloops-Vancouver section, were you not?—A. Yes, sir, and also the matter of the British Columbia steamships and the tug and barge services.

Q. Have you a memorandum to present to the committee?—A. I will file his memorandum after I read it.

Q. You are going to file the memorandum, or are you going to read it?—A. I am going to read it now. I am first going to deal with the general condition of degrading, unification, and so on.

Statements made by the Canadian Pacific officers were to the effect that in addition to certain line abandonments, other lines would be degraded, and it would appear that the suggestion is that the Canadian Pacific main line would be used for through traffic between the East and the West, the Canadian National main line to be degraded to secondary line standard where it is not altogether abandoned.

If, as inferred, the line west of Winnipeg were to be degraded, such action would immediately affect the valuation of properties at all points, including such cities as Saskatoon, Prince Albert, North Battleford and Edmonton as the service would have to be of a lower standard on account of track conditions, etc. The Canadian National main line serves what may be termed the garden of the West and undoubtedly further development in Western Canada will be largely to the north. Should the alternative be considered and the Canadian Pacific main line degraded, other large cities such as Brandon, Regina and Calgary would be similarly affected. It is, therefore, an absolute necessity that both main lines be maintained at a standard permitting of present service being continued.

The Canadian Pacific maintains considerable double track west of the Lakehead, and according to standard engineering formula the second main track costs for maintenance 80 per cent of the cost of the first track. Even if this figure were reduced to 50 per cent, would it not be more advisable to consider the abandonment of large portions of the second main track, thus effecting a greater saving in maintenance than could be obtained by degrading the Canadian National line, and at the same time permitting the large cities on both lines to be given the same service as at present without in any way affecting the valuation of properties? Such a saving is not predicated on any system of co-operation or unification.

With regard to the lines through the mountain territory. While a statement was made before this committee that over a period of years a greater number of Canadian National trains had been detoured over Canadian Pacific tracks than Canadian Pacific trains over the Canadian National west of Kamloops, in discussing this question it is considered that the entire mountain territory should be taken into account. The statement we have had prepared shows that from 1929 to date, 126 C.N.R. trains were detoured over various sections of the Canadian Pacific through the mountains while 82 C.P.R. trains were detoured via the C.N.R. This covers the territory west of Edmonton and Calgary. In 1929, 46 C.P.R. trains were handled Edmonton to Kamloops over the C.N.R., in addition to 1,384 revenue loads turned over to the C.N.R. by the C.P.R. for handling between the same points. These revenue loads are based on a figure of 60 cars to a train—which was the average train handled under the weather conditions prevailing at the time, and which would be high, it was winter—would increase the Canadian Pacific detours by another 23 trains. Mention was also made of the fact that the Canadian Pacific have an alternative route, but during the period mentioned in 1929, after the detour arrangement was first put into effect, it was cancelled by the C.P.R. and they endeavoured to handle their traffic via their alternative route. The success of the route can be judged by the fact that after two or three days arrangements were again made to detour all trains over the C.N.R.

Committees are now making a further study to see whether it would be possible to reduce costs of operation by jointly using any sections of either line west of Kamloops, eliminating or degrading the line on one or the other side of the river. The experiences of 1935, however, when both transcontinental lines were tied up, indicate that the most careful thought would have to be

[Mr. A. E. Warren.]

given to the matter before any section of either line could be abandoned, and further, I believe it is an admitted fact that when we have another big crop in Western Canada and there is a large movement to Pacific coast points, it would be an impossibility to handle the traffic properly with one line unless it were double-tracked. It might be mentioned here that when both systems were blocked by slides and washouts early in 1935 the so-called alternative route was also closed, and as a matter of fact it is usually closed up for some time every winter.

Boston Bar is the Canadian National terminal opposite North Bend on the Canadian Pacific, and the main line of the Canadian National between that point and Vancouver serves the Chilliwack valley. A portion of this line—Hope to Sumas (the latter point approximately 37 miles west of Hope) is covered by an agreement with the V. V. & E. Railway and Navigation Company (the Great Northern Railway) under which they have joint and equal use of all tracks and facilities, for which we receive an annual rental of \$42,500, although the Great Northern are not at present using the line. This line between Boston Bar and Port Mann serves a population of approximately 26,000 people. If this line were abandoned to Port Mann, as has been suggested, it would leave several communities without any proper railroad service. Some of the more important points that would be affected would be Chilliwack, Port Mann (the terminus of the car barge service to Vancouver Island), as well, of course, as the city of New Westminster, which would be served by a spur line.

Chilliwack, as an illustration, has a population of about 2,500, with another 6,000 people in the district immediately surrounding it. If the C.N.R. rails were taken up, carload traffic loaded at Chilliwack on the B.C. Electric Railway would require to move from Chilliwack to Abbotsford on the B.C. Electric, thence via the Canadian Pacific to Mission, where connection is made with the C.P.R. main line. The distance from Chilliwack to Hope via the C.N.R. is 31.6 miles and via the suggested route this would be increased to 79 miles. Similarly, from Chilliwack to Vancouver via the C.N.R. is 59.9 miles, while via Abbotsford, Mission and the C.P.R. it would be 72.7 miles; via the B.C. Electric direct to Vancouver it is 76.3 miles. The distance from Chilliwack to Agassiz, on the main line of the C.P.R., via highway from Chilliwack to east of Rosedale, and thence by ferry to Agassiz, is 12 miles. This presumably would be the route for L.C.L. traffic and passengers and express eastbound. Earnings at Chilliwack station for 12 months ending April 30, 1938, were approximately \$73,000, which does not include over 1,200 carloads of lumber, fruit, canned goods, etc., received from connections at that point.

Port Mann, as stated, is the terminus of the car barge service to Vancouver Island, which service is dealt with in another memorandum. All C.N.R. freight traffic to and from the Island is handled through this point in a much more efficient and economical manner than possible through Vancouver.

There is also the Fraser River elevator to be served and, as mentioned, the city of New Westminster.

Between New Westminster and Vancouver there is a joint section agreement with the Great Northern Railway, and at Vancouver the Canadian National (Canadian Northern Pacific) is required under its agreement with the city, to maintain its station, etc.

The Canadian Pacific proposal calls for a reduction in supervisory operating forces by two regional offices, ten district offices and twenty-three divisional offices. The present system of operation on the Canadian National and Canadian Pacific as a whole are practically identical. The operating supervisory staffs on the Western region of the Canadian National are much less than on the Canadian Pacific. There are, for instance, on the Canadian

National Western region 9 line superintendents and 2 terminal superintendents as against 15 line superintendents and 2 terminal superintendents on the C.P.R.; and 17 assistant superintendents on the C.N.R. as against 26 on the C.P.R., with total mileage approximately the same. The average mileage for the Canadian National line superintendents on the Western region is 1,103, and it would be an impossibility to have proper supervision if any scheme of joint operation were put into effect that required an increase in this mileage.

Since 1930 the operating supervisory staff on the Canadian National Western region has been reduced by 11 officers, including 4 divisional superintendents and 4 assistant superintendents, while reductions have also been made in despatching staffs, mechanical and engineering supervisory forces, bringing the total reductions to 71 official and supervisory positions with a saving of \$295,600 annually. Coupled with reduction in basic rates of officers remaining, total savings of \$391,152 per annum have been effected.

By Hon. Mr. Coté:

Q. When was that done?—A. Since 1930. It has been progressive. With these reductions in supervisory forces, there were also reductions in the divisional staffs.

Now, I shall go on with the steamships?

By Mr. Biggar:

Q. Can we deal with this one separately?—A. Yes, sir.

Q. I suppose that if the traffic rose to the 1930 level these 71 officers who have been let out since 1930 would have to be re-appointed, and the \$391,000 of savings— —A. No, sir. There would have to be some appointed. I mean to say you all learn by experience. You find you can get along without something if you haven't got it.

Q. That is exactly what the Canadian Pacific is suggesting, that you could get along without something when you have to. How much of the \$391,000 would you have to spend again if the traffic was restored?—A. As near as I could figure out, there would be about two division superintending offices. That would be the outside. That would be somewhere around a total of \$25,000 to \$35,000 a year.

Q. Out of the \$391,000?—A. That is all I would put on.

Q. Does that mean that in 1930 you were spending \$360,000 more than was necessary?—A. No, pardon me. This is with a reduction in the basic rates of officers also included. You know, all the higher officers had a deduction of about 20 to 25 per cent downwards.

Q. I just want to get the facts.—A. That would be \$295,000—well, \$391,000 together with the deduction.

Q. I was asking you how much you would have to increase the present to get that to the 1930 traffic level, and I gather you said \$30,000?—A. Just a minute. It is \$30,000 to \$35,000 a division office.

Q. Do you mean you were spending \$360,000 more than was necessary in 1930?—A. No. A lot of those other officers were officers whose positions we have now abolished and consolidated.

Q. I gathered from what Mr. Hungerford said that the art of railroading has been advancing, but I do not suppose he was intending to suggest that it had advanced so much that \$35,000 would cover the ground that some \$300,000 would have been required for a few years ago?—A. No. Our organization is such that we would have to reinstate two division offices. Each office would cost us about \$35,000.

Q. Or \$70,000 all together?—A. Yes.

Q. So that the difference is really about \$320,000?—A. Yes.

[Mr. A. E. Warren.]

By Hon. Mr. Haig:

Q. But that \$320,000 is with the reduction in salaries too?—A. Yes.

By Hon. Mr. Moraud:

Q. There was a general revision in 1932?—A. Yes.

By Mr. Biggar:

Q. How much difference does that make?—A. There was a reduction of the basic rates of the higher officers, of anywhere from 25 per cent down.

By Hon. Mr. Moraud:

Q. You will not need those officers again, those officers whose positions were abolished?—A. No, we do not intend to replace all of them.

Q. You had some very expensive officers in Vancouver, for instance, that you will not need again, no matter what the traffic is?

Hon. Mr. HAIG: Senator Moraud must have been a Director of this road.

Hon. Mr. MORAUD: I was, yes.

By Mr. Biggar:

Q. Can you tell us how we can save some money, not how we must spend it?—A. Well, the unfortunate position in that territory is, that we have been poverty stricken for a couple of years. But there seems to be a bright light out there now. If we could get an average crop of, say, 400,000,000 bushels, or if we got a bumper crop of 500,000,000 bushels, of course the picture would change immediately. Our crop movement this year—we always base it from August 1, and this is right up to the end of May—this year we handled 42,167 cars of grain as against 60,899 last year. And last year was a bad year. We have handled up to 124,000 and 125,000. Then, take the grain going to Vancouver. In 1928 we had 31,579 cars. That was pretty nearly as many as we handled to every place this year. And this year to Vancouver we handled 301 cars.

Q. You have no suggestion, except to wait and see?—A. Well, we are not waiting and seeing; we are trying to cut out every dollar we can right now, that is consistent with safety.

By Hon. Mr. Black:

Q. Is there any duplication of line in your territory that you think could be eliminated?—A. We are making a study of several lines and we made a recommendation for the elimination of some lines, but not as to any big mileage. There are some studies on the way all the time. We have got committees studying that now, and we have some final reports in, with regard to this, between both companies; that is, we have agreed on them.

By Mr. Biggar:

Q. Now, will you go on with the steamship operation?—A. This is in connection with the operation of the British Columbia coastal services. Captain McMurphy estimates an annual saving of \$400,000 by unification of B.C. coastal services—see page 970 of No. 18 of the record—made up as follows:—

1. Elimination of two Alaska vessels.. . . .	\$100,000
2. Purchase of two new vessels for \$3,000,000—	
Interest at 4 per cent.. . . .	120,000
Depreciation at 3 per cent.. . . .	90,000
3. Consolidation of Car Barge Service.. . . .	97,000
	<hr/>
	\$407,000

In the years 1936 and 1937 the passengers carried, (one-way), in the Alaska summer season service were as follows:—

Canadian National—	1936	1937
Skagway passengers.....	3,134	3,733
Other Alaska ports.....	352	272
Local B.C. passengers.....	767	600
Total.....	4,253	4,605
Canadian Pacific—	1936	1937
Skagway passengers (actual as furnished by C.P.R.)..	2,946	3,161
xOther Alaska ports.....	350	250
xLocal B.C. passengers.....	700	500
Total.....	3,996	3,911
xEstimated in same proportion as Canadian National		
Total C.N. and C.P.....	8,249	8,516

These figures exceed for 1937 the total first-class carrying capacity of all Alaska ships of both C.N.R. and C.P.R. which is accounted for by local passengers not requiring berthing accommodation.

Q. I am sorry, I did not follow that. Were you merely remarking that the number of passengers that you have put down is in excess of the berth accommodation of the boats?—A. Yes, because we have taken in the deck passengers

The capacity of the Alaska ships of both Companies is as follows:—

	Alaska trips	Capacity 1st class	Total passengers
Canadian National			
<i>Prince Robert</i>	6	319	1,914
<i>Prince Rupert</i> and <i>Prince George</i>	11	206	2,266
Canadian National capacity for season.....			4,180
Canadian Pacific (corresponding period)			
<i>Princess Louise</i>	7	210	1,470
<i>Princess Charlotte</i>	7	228	1,596
<i>Princess Alice</i>	5	196	980
Canadian Pacific capacity for season.....			4,046
Combined capacity both companies for season.....			8,226

It is obvious that the 1937 or 1936 Alaska passengers could not have been handled by less than the entire six number of ships operated. Captain McMurray's saving of \$100,000 is predicated on reducing the Alaska ship from six to four.

In view of the increased efforts of the United States Government to develop the domestic tourist industry—which includes Alaska—through a special Bureau recently organized, and by large advertising expenditures, the growth of tourist business to this section (Alaska) will continue.

Item 2:

With reference to the statement of Captain McMurray that two new ships may be required in the next five years, entailing an annual expense of \$210,000 it is our opinion Canadian National are well equipped to handle the Alaska business without the purchase of any new ships in the immediate future.

Item 3:

Consolidation of Car Barge Service. This will be dealt with toward the close of this submission.

With reference to Captain McMurray's statement—page 967 of No. 18 of the Record—that until 1930 Canadian National had never operated on the (Alaska) route, but in that year brought out another new vessel to the coast and placed it in the Alaska service and they also extended the operations of their Vancouver-Prince Rupert steamers to Alaska.

[Mr. A. E. Warren.]

The Canadian National have continuously operated an Alaska service from Vancouver to Skagway during the summer season since 1925, and previous to that the Grand Trunk Pacific also operated between Vancouver and Skagway during the summer season—years 1916, 1917 and 1918—so that the present service could not in any sense be considered a new service or extra services put on in 1930 by Canadian National as stated by Captain McMurray.

Contrary to the opinion expressed by Captain McMurray—page 969 of No. 18 of the record—that 1929 was the year of peak traffic for Alaska business, we submit from our experience that 1936 and 1937 were in excess of 1929 by 8·4 per cent and 37·8 per cent respectively.

On page 970 of No. 18 of the record the question is asked by the Hon. Mr. Dote, "I would like to ask the witness a question. I am curious to know if you have any figures as to the number of passengers carried by the six ships, three Canadian National and three Canadian Pacific to Alaska." Captain McMurray replies, "No, I haven't the figures of the passengers carried. The calculation is all made on the assumption that the original three ships on the Alaska service would carry all the passengers offering. We know that they carried all the passengers offering in 1929 which was the peak year, and still had a margin to spare; therefore we assume they could have carried them all in the years when these other ships were operating."

We would again state that the Canadian National did operate an Alaska service in 1929 (13 trips operating to capacity) and in our opinion this business could not have been handled by the Canadian Pacific in addition to their own business with their three ships operating to Alaska that year.

Captain McMurray's statement on page 966 of No. 18 of the record that the Canadian National inaugurated a new service in 1930 between Vancouver, Victoria and Seattle is rather misleading, as from 1910 to 1923 a twice-weekly service in summer, and a weekly service in winter was operated by the Grand Trunk Pacific Coast Steamship Company (now the Canadian National Steamships) between these ports. This service was resumed on a daily basis in 1930 and withdrawn in September 1931.

By Right Hon. Mr. Meighen:

Q. What was the period when it operated first?—A. From 1910.

Q. Until when?—A. Until 1923.

Q. And then it was started again when?—A. What happened was this. We used our own boats out of Seattle. We have a dock there. It was decided that the business between Seattle and Vancouver, by reason of the Jones law coming into effect, whereby we could not do any intercoastal business, would have to be abandoned, and we decided to pull out of Seattle and rent our dock. When Sir Henry Thornton was on the road he resumed the service between Vancouver, Victoria and Seattle. Then we found in 1931 it was not really justified and we discontinued it, gave it up to the Canadian Pacific.

In justifying our being in the Alaska business, I would point out that Canadian National Railways obtain a very substantial revenue from these Alaska passengers who use our rail line on long haul, one-way and round trip. Likewise they contributed largely to the revenues of our hotels and summer resorts.

This Alaska business cannot be considered as a competitive business, but primarily a developed tourist business that has particular appeal to Americans from a tourist standpoint. Our experience shows that it has substantially increased our steamship earnings, rail earnings, and other revenues.

We submit that if service to Alaska were curtailed in any way, and confined to four ships, as suggested by Captain McMurray, a substantial portion of this tourist business, now handled by the two Canadian lines, due to capacity operations, would either not move or would divert to United States steamship lines.

By Hon. Mr. Gordon:

Q. What would be your operating profit on those lines?—A. The operating profit on the Alaska business, I might say, is the only thing that keeps the darn thing alive.

Q. What would it be?—A. The net last year was not very much; it amounted to from \$45,000 to \$50,000; but in the summer we come up to \$100,000 or \$125,000.

Q. Do you take into account depreciation?—A. I think you will have to ask the Comptroller that. I do not handle the figures except to get the statement.

By Mr. Biggar:

Q. Mr. Warren, in regard to that, Captain McMurray tells me that perhaps there is a misunderstanding when you are talking about the ship of both companies running to capacity. You are then referring to how many trips?—A. I am referring to the Alaska season.

Q. But to how many trips?—A. We make 17 trips to Alaska in the summer.

By Hon. Mr. Horsey:

Q. In what time?—A. Around ten and a half days and others around eight and a half days.

By Mr. Biggar:

Q. Between what dates?—A. It generally starts about the middle of June and extends to September.

Q. What is the layover at each end?—A. They lay over at Skagway to let passengers go up, I think a day and a half. They lay over for passengers to go to White Pass and the Yukon and up to Atlin Lake down to Dawson City. Then when they come to Vancouver they put on short excursion runs.

Q. What is the layover between the arrival in Vancouver southbound and the departure to Alaska northbound?—A. Generally as a matter of fact only sufficient for servicing.

Q. I thought you said there were short excursion runs.—A. I said they go on excursion trips.

Q. I was speaking of the Alaska trip. What is the interval between the arrival southbound and the departure northbound?—A. Sometimes a day and a half, sometimes three days, sometimes maybe a little more.

Q. Is that when they go on excursions?—A. Yes.

Q. On that basis, I suppose, the number of trips could be increased from nineteen to about twenty-five in the interval you speak of?—A. Yes, about seven of those excursions.

Q. Captain McMurray tells me that the result of the operation of the Canadian National ships has been that the Canadian Pacific ships have not been making as many trips as they made in 1928 and 1929.—A. I do not know. I did not take in their side trips. I was taking in the purely Alaska trips.

Q. Captain McMurray tells me his estimate of being able to do without two ships was based upon using the ships now operated by the Canadian National, they being larger, and operating them continuously on that route. In those circumstances there would be more capacity on that route than anything there has ever been before?—A. We did not read it that way.

Q. Is not that the fact?—A. I don't know.

Q. You have not calculated?—A. I don't know what the Canadian Pacific can do.

[Mr. A. E. Warren.]

Q. Is not that a little unfair, Mr. Warren?—A. Which?

Q. You came—A. On that Alaska business we interchanged the information.

Q. You came here to criticize the suggestion that two ships could be relieved, and you tell me now you have not calculated whether the two ships can be relieved or not.—A. You could not relieve two ships on the statement of the Alaska business right here.

Q. No. But on the possibility of the situation have you considered that?—A. No. I was figuring exactly on the Alaska business.

Q. I do not want you to say anything that is not exactly right, but have you considered the possibility on a proper rearrangement of the steamships on the Alaska route doing without two ships that now engage in that traffic?—A. Is this on the Alaska route or on the Alaska tourist business?

Q. I do not know that there is any difference.—A. They run a regular boat to Alaska; we do not. If it is on the tourist business, according to these figures it could not be done during that time of the tourist movement.

Q. You are quite sure it could not be done?—A. I don't think two less boats could do it.

Q. No matter how continuously the ships were on that business?—A. That is only, of course, an opinion.

Q. You have not worked it out?—A. No, I have not worked it out.

Q. There is no use my pressing it then.

Hon. Mr. McRAE: I think I can give you some information on that, Colonel Biggar, for I am thoroughly familiar with the position. What Mr. Warren says is true. The Alaska business is growing, and the travel to Alaska in the tourist season is limited entirely to the capacity of the ships. If you want a berth in the tourist season you have to engage it three or four months ahead.

Hon. Mr. BLACK: Could not the ships make more trips?

Hon. Mr. McRAE: I think they are making them as fast as they can. On a trip like that a ship must lay over at Vancouver for servicing. I think the services are just as good as they can get out of the ships.

By Mr. Biggar:

Q. Captain McMurray tells me, Mr. Warren, there is an arrangement each year between the two companies as to how many trips they will make.

Hon. Mr. McRAE: That is probably the trouble.

Mr. BIGGAR: They keep them full by cutting down the trips. I do not know that we can get any further on that.

By Mr. Biggar:

Q. What happened to those ships on the Alaska route running those excursions?—A. Tied up; that is, the big boat *Robert*. The *George* and the *Dupert* run on the regular trip as far as Stewart. In winter we only operate one boat on that run and one boat once every two weeks on the Charlotte Island run.

Q. Is the big boat tied up altogether?—A. It is tied up.

Q. Have you anything more, Mr. Warren?—A. I have the car barge matter. Captain McMurray, on page 968 of No. 18 of the Record, states,—

The Canadian National Car Barge Terminal is at Port Mann, up the Fraser River a little above New Westminster. This service starts from there and goes over to Victoria and other points on the Island. The Canadian Pacific Car Barge Terminal is in Vancouver Harbour. It was assumed that under unification these two barge services would be consolidated and the barges routed through Vancouver. This would give an

annual saving of \$104,000 with the elimination of the extra service and the elimination of one barge fleet. A further consolidation of staffs which could have been made under unification would have made a saving of \$18,000.

and on page 969:—

The consolidation of the Barge Service would provide another \$97,000

and on page 968:—

It was also estimated that further savings would be effected by the consolidation of Car Barge Services between the mainland and Vancouver Island.

With reference to the proposed elimination of the Canadian National Ferry slip at Port Mann. This slip is located immediately alongside the freight train terminal at Port Mann, through which is handled all Canadian National traffic to and from the coast; cars can, therefore, be moved from car barge to train and vice versa with the minimum of expense.

The proposal contemplates and is based on the delivery of all Canadian National Island traffic at the Canadian Pacific Railway ferry slip in Vancouver Harbour for furtherance by barge.

The rail mileage involved between Port Mann and the C.P.R. ferry slips in Vancouver Harbour is 18.64 miles, necessitating an additional rail haul of 37.28 miles, going and returning, per car moved.

On basis of the 14,755 Vancouver Island cars handled in and out of Port Mann in 1930 this additional rail haul would have meant an additional car mileage of 275,181 miles.

Captain McMurray apparently has not taken this additional rail expense into consideration in his calculations.

On page 969 of No. 18 of the Record, Captain McMurray states, "A further consolidation of staffs which could have been made under unification would have made a saving of \$18,000."

The staff employed in this service by the Canadian National Railway consists of one supervisor of barge and ferry service, and one clerk, whose duties also cover and include the barge and ferry service on Okanagan Lake.

The entire staff expense does not exceed one-third of the estimated saving.

On page 968 of No. 18 of the Record, Captain McMurray states:—

This would give an annual saving of \$104,000 with the elimination of the extra service, and the elimination of one barge fleet.

The Canadian National tug and barge equipment to handle business to and from Vancouver Island consists of two tugs and two barges, the latter 15-car capacity each. The steamship Canora car ferry (18 car capacity) is a stand-by unit available for service, and put into service when traffic conditions warrant.

The Canadian Pacific service provides for movement of cars between the mainland and James Island, Nanoose, Comos and Ladysmith, where connection is made with the Esquimalt and Nanaimo Railway (Canadian Pacific). Cars for Victoria and points served by rail are moved from Ladysmith by rail to destination.

The Canadian National service provides for movement of cars between the mainland and James Island, Ogden Point, Point Ellis, Cowichan Bay, Bamberton, Chemamus and Nanaimo. The Canadian National equipment, in addition to transfer of cars between the mainland and the Island is also required to handle cars of export lumber to Ogden Point dock at Victoria from Island points, and other traffic between Island points. Ogden Point has no rail connection and is only served by Canadian National tugs and barges.

[Mr. A. E. Warren.]

The carload export lumber handled by the Canadian National Railways at Ogden Point dock since 1930 is as follows:—

Year	Number of Loaded Cars	Feet B. M.
1930.....	—	—
1931.....	316	8,500,000
1932.....	420	11,000,000
1933.....	1,406	58,500,000
1934.....	2,892	67,500,000
1935.....	2,165	52,500,000
1936.....	2,128	50,000,000
1937.....	964	23,000,000

average for seven years 1,470 cars per year, or 2,940 loads and empties in and out of Ogden Point, and in the peak year of 1934, 3,784 loads and empties in and out of Ogden Point. This traffic is in addition to the movement of cars between Port Mann and Island points. The total cars moved by barge and ferry service in and out of Port Mann were as follows:—

1930—14,755 cars, or an average of 7,377 each way.

1937—9,858 cars, or an average of 4,929 each way.

The capacity of the Canadian National tugs and barges out of Port Mann 600 cars per month. The average one-way movement for the year 1930 was 15 cars per month—there must have been some overtime—and for the year 1937, 416 cars per month, or 70 per cent of tug and barge capacity.

However, the service arranged cannot be based on yearly or monthly averages, and the daily fluctuations are such as to require the reasonable provision of car capacity to take care of such fluctuations.

The situation of the industries and the communities on Vancouver Island must be considered in the light of the physical conditions as they exist. The industries, due to location, are somewhat handicapped in their reaction to markets compared with similar industries located on the mainland. The communities must receive and ship those similar products, many of a perishable character, which are produced or required by similar communities located on the mainland.

Owing to the failure of the Canadian Pacific Railway to disclose the details of traffic handled by them, we have had to assume that the Canadian Pacific carload traffic to and from Vancouver Island is at least comparable with that of the Canadian National Railways, possibly greater. The proposal contemplates the elimination of one barge fleet, as stated by Captain McMurray at page 986.

It is apparent that this cannot be done, and that in addition the Canadian National tug and barge service provides the most economical transportation by not requiring the somewhat expensive rail haul between Port Mann and Vancouver waterfront, and on the Esquimalt and Nanaimo Railway from Ladysmith to Victoria.

By Mr. Biggar:

Q. Have you made any study of what saving could be effected in connection with these barges by unification?—A. It would all depend, sir, if it was unification of the whole system, or just of the barges. If it is unification of barges, there would be nothing in it. It would cost more than would be saved.

Q. But on the other basis?—A. I do not believe that Captain McMurray can get away with two barges, but I believe that at times it might be possible to dispense with one.

Q. Have you made any study on the basis of unification of the two systems?—A. I have come to a conclusion.

Q. Have you made any study?—A. No, I have not.

By Hon. Mr. McRae:

Q. You have no harbour dues at Port Mann, have you?—A. No, sir. That is another thing. I forgot that.

Now, I want to add that in March, 1933, the Canadian National and Canadian Pacific Railways appointed a joint committee to consider all economies possible in operations of the several coastal services under either—(1) amalgamation of fleets, or (2) elimination of duplicate services through co-operation. The committee consisted of Thomas Loudon, Acting General Superintendent, and G. A. McNicholl, General Passenger Agent, for the Canadian National and C. D. Neroutsos, Manager of Coastal Services, and N. R. DesBrisay, Assistant Passenger Traffic Manager, for the Canadian Pacific. The findings of this committee were that no further economies would be effected by adopting either of the proposals, and I wish to file with you a copy of this report.

By Hon. Mr. Hugessen:

Q. A joint report?—A. Yes, sir.

By Mr. Biggar:

Q. That is the report of the joint committee with regard to the saving possible in connection with— —A. Amalgamation or co-operation.

Q. In connection with the water service on the Pacific coast?—A. Yes. I more particularly refers to the steamers.

By Right Hon. Mr. Meighen:

Q. Do you say it covers amalgamation as well as co-operation?—A. Yes, sir. The idea was—

By Mr. Biggar:

Q. Just co-operation as far as the water services are concerned, but not of the two systems.—A. The idea was that if we could put them all together and form a separate company, and let them go at that.

Hon. Mr. SINCLAIR: Mr. Biggar, you got from the manager of the Atlantic region and the manager of the Central region statements of their net operating revenues or, maybe, losses. I think you should get a similar statement from Mr. Warren in regard to the Western region.

The WITNESS: I can tell you this, that last year, on account of the crop failure, we just managed to get out of the red. We were so close to going into the red that we just escaped it.

By Hon. Mr. Sinclair:

Q. Can you give us a comparative statement of the peak year of 1928 and where you stood that year?—A. Yes. In 1928 the business was \$96,346,505.93 and the expenses \$79,996,062.20, leaving a net of \$15,350,453.75. That is just operating.

By Hon. Mr. Dandurand:

Q. I did not hear a word of that last statement. Would you mind repeating it?—A. The total operating earnings, sir, were \$15,350,453.75 in 1928. Last year the total was \$110,000.

By Hon. Mr. Black:

Q. That would be receipts over operating costs?—A. Yes, sir.

[Mr. A. E. Warren.]

By Hon. Mr. Sinclair:

Q. Can you file a statement to this effect? What would be your net operating revenue for last year with the economies you have put in force during the past number of years, if you had the tonnage on the Prairie Provinces that you had in 1928?—A. I think I could work out something, sir. You see, we had a decrease last year in gross business of over \$29,000,000 over 1928.

Q. And your economy of operating costs as compared— —A. Our costs are down. I will work out the statement.

By Right Hon. Mr. Meighen:

Q. They would go back if you had a crop?—A. If we had a 400 million crop, it would mean \$25,000,000 and more.

The committee adjourned until to-morrow at 11 a.m.

EXHIBIT No. 89

BROAD DISTRIBUTION OF CANADIAN PACIFIC RAILWAY COMPANY'S ESTIMATE OF \$64,268,000 SAVINGS DUE TO DECREASED OPERATING EXPENSES TO SHOW APPROXIMATE RELATIVE SIGNIFICANCE OF PRINCIPAL BASIC FACTORS

	Reduction in Train, Locomotive and Car Miles		Reduction in Super- visory, Traffic, General and Expenses	Common Use of Facilities and Equipment, Reclassification of Lines and Consolidation of Operations					Incidental Economies from Unification	Total	Line Abandonment Savings Included
	Passenger	Freight		Road and Yard	Shops and Engine-houses	Stations and Offices	Road Service	Yard Service			
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Maintenance of Way and Structures.....	**	**	2,539,000	11,278,000	685,000	387,000				14,889,000	4,512,000
Maintenance of Equipment.....	3,643,000	2,454,000	1,411,000		6,852,000					14,360,000	718,000
Traffic Expenses.....			4,146,000						1,630,000 (Largely Advertising)	5,776,000	
Transportation Expenses—Rail.....	5,952,000	4,275,000	1,290,000		**	3,471,000	1,616,000	3,535,000	2,491,000 (Loco. Fuel)	23,994,000	1,889,000
Transportation Expenses—Water Line.....											
General Expenses.....	**	**	4,252,000	**	**	**	**	**	42,000	4,289,000	130,000
All Other Operating Expenses.....	918,000								37,000	918,000	
Total.....	10,513,000	6,729,000	13,638,000	11,278,000	7,537,000	3,858,000	1,616,000	3,535,000	4,121,000	64,268,000	7,249,000
MAINTENANCE OF WAY AND STRUCTURES—											
Superintendence.....	**	**	2,493,000	**	**	**				2,493,000	
Track Maintenance.....	**	**		9,444,000						9,444,000	
Station and Office Buildings.....						387,000				387,000	
Shops and Enginehouses.....					685,000					685,000	
Removing Snow, Ice and Sand.....	**	**		475,000						475,000	
Crossings, Signals and Interlockers.....	**	**		365,000	**	**				365,000	
Stationery and Printing.....	**	**	46,000	994,000	**	**				46,000	
Other.....	**	**								994,000	
Total.....	**	**	2,539,000	11,278,000	685,000	387,000				14,889,000	4,512,000
MAINTENANCE OF EQUIPMENT—											
Superintendence.....	**	**	1,411,000		**					1,411,000	
Shop Machinery.....	118,000	116,000			**					234,000	
Steam Locomotives—Repairs.....	1,801,000	1,465,000			4,499,000					7,765,000	
Freight Train Cars—Repairs.....	1,694,000	853,000			1,851,000					2,704,000	
Passenger Train Cars—Repairs.....	**	**			68,000					1,762,000	
Work Equipment—Repairs.....	**	**			371,000					371,000	
Floating Equipment—Repairs.....	30,000	20,000			8,000					8,000	
Injuries to Persons.....					55,000					105,000	
Total.....	3,643,000	2,454,000	1,411,000		6,852,000					14,360,000	718,000

TRAFFIC EXPENSES—									
Superintendence.....									1,324,000
All Agencies.....									2,339,000
Advertising.....									1,542,000
Traffic Associations.....									88,000
Industrial Bureaus.....									92,000
Stationery and Printing.....									312,000
Other.....									79,000
									5,776,000
TRANSPORTATION EXPENSES—RAIL—									
Superintendence.....	**	**	**	**	**	**	**	**	1,290,000
Dispatching Trains.....	**	**	**	**	**	**	**	**	552,000
Station Operations.....	**	**	**	**	**	**	**	**	3,471,000
Yard Operations.....	**	**	**	**	**	**	**	**	3,944,000
									(Loco. Fuel)
									2,082,000
									(Loco. Fuel)
									628,000
Train Service.....	5,276,000	4,242,000							13,216,000
Sleeping Car Service.....	628,000								229,000
Crossings and Signal and Interlocker Operation.....	**	**	**	**	**	**	**	**	126,000
Stationery and Printing.....	**	**	**	**	**	**	**	**	538,000
Other.....	48,000	33,000							
	5,952,000	4,275,000	1,290,000	3,471,000	1,616,000	3,535,000	1,364,000	2,491,000	23,994,000
									1,889,000
TRANSPORTATION EXPENSES—WATER LINE									
Operation of Vessels.....									42,000
GENERAL EXPENSES—									
Salaries and Expenses of General Officers.....	**	**	677,000	**	**	**	**	**	677,000
Salaries and Expenses of Clerks and Attendants.....	**	**	2,669,000	**	**	**	**	**	2,669,000
General Office Supplies and Expenses.....	**	**	481,000	**	**	**	**	**	481,000
Law Expenses.....	**	**	363,000	**	**	**	**	**	363,000
Insurance.....	**	**	62,000	**	**	**	**	**	37,000
Stationery and Printing.....	**	**		**	**	**	**	**	62,000
	**	**	4,252,000	**	**	**	37,000		4,289,000
									130,000
ALL OTHER—OPERATING EXPENSES—									
Dining and Buffet Car Service.....	918,000				**				918,000
Grand Total.....	10,513,000	6,729,000	13,638,000	7,537,000	3,858,000	3,535,000	1,443,000	4,121,000	64,268,000
									7,249,000

CANADIAN PACIFIC RAILWAY COMPANY,
MONTREAL, JUNE 11, 1938.

A proportion of the total amount shown on this line is distributable under columns marked "**". Such proportion, however, is not determinable because in compiling the estimate the Canadian Pacific determined the expenses for maintaining and operating the unified property and not the reduction for the individual factors of economies which were foreseen.

EXHIBIT No. 81

CANADIAN PACIFIC RAILWAY STATEMENT RE OPERATING RATIO OF UNIFIED
SYSTEM YEAR 1930

Gross Revenues—

Canadian Pacific (Table 11, Page 51)	\$196,211,626
Canadian National (Table 11, Page 51)	250,368,998

Add:

Northern Alberta Railways	2,253,740
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Total year 1930 under separate operation	448,834,364
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Add:

Increase in Gross Revenues under unified management (exhibit G, Page 421)	1,396,000
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\$450,230,364

Operating Expenses—

Canadian Pacific (Table 12, Page 51)	\$153,750,665
Canadian National (Table 12, Page 51)	228,288,023

Add:

Northern Alberta Railways	1,952,390
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Total year 1930 under separate operation	\$383,991,078
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Deduct:

Savings under unified management:

Railway Operating Expenses

(Exhibit "H," Page 422)	\$64,267,683
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Telegraph Expenses

(Exhibit "I," Page 426)	947,768
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Express Expenses

(Exhibit "J," Page 426)	1,450,000	\$66,665,451	\$317,325,627
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Net Railway Operating Revenues			\$132,904,737
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Operating Ratios

	Canadian Pacific	Canadian National	N.A.R.	Combined
Under separate operation	78.4	91.2	86.6	85.6
Under unified management				70.5

RAILWAY CONDITIONS

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EXHIBIT NO. 82

COMPARISON BY C. P. RY. OF UNIT COSTS YEARS 1930 AND 1937, CANADIAN PACIFIC RAILWAY SYSTEM AND CANADIAN NATIONAL RAILWAYS

—	Unit Basis	Year 1930		Year 1937	
		C.P.R.	C.N.R.	C.P.R.	C.N.R.
		\$ cts.	\$ cts.	\$ cts.	\$ cts.
MAINTENANCE OF WAY AND STRUCTURES—					
Superintendence.....	Per mile of line.....	84 00	167 00	78 00	120 00
Track Maintenance.....	Per mile of line.....	1,164 00	1,412 00	801 00	989 00
Station and Office Buildings.....	Per mile of line.....	84 00	83 00	55 00	70 00
Shops and Enginehouses.....	Per mile of line.....	45 00	65 00	47 00	49 00
Telegraph and Telephone Lines.....	Per mile of line.....	69 00	59 00	68 00	66 00
Removing Snow, Ice and Sand.....	Per mile of line.....	61 00	72 00	61 00	62 00
Maintaining Joint Tracks and Other Facilities.....	Per mile of line.....	Dr. 4 00	Cr. 33 00	Dr. 13 00	Cr. 29 00
Other.....	Per mile of line.....	161 00	203 00	121 00	160 00
Total.....	Per mile of line.....	1,672 00	2,028 00	1,244 00	1,487 00
MAINTENANCE AND EQUIPMENT—					
		cts.	cts.	cts.	cts.
Superintendence.....	Per train mile.....	1.5	3.4	1.9	2.6
Shop Machinery.....	Per train mile.....	2.8	2.6	3.0	2.7
Steam Locomotives—Repairs.....	Per loco. mile.....	17.0	22.0	16.0	20.0
Freight Train Cars—Repairs.....	Per car mile.....	1.2	1.3	0.9	1.2
Passenger Train Cars—Repairs.....	Per car mile.....	3.2	3.5	4.6	4.4
Work Equipment Repairs.....	Per train mile.....	1.9	2.5	1.5	2.2
Renewals, Retirements, Depreciation, etc.....	Per train mile.....	5.3	7.0	14.8	16.0
Other.....	Per train mile.....	0.9	2.2	1.2	1.9
Total.....	Per train mile.....	66.0	83.0	77.0	90.0
TRAFFIC EXPENSES—RAIL—					
		\$ cts.	\$ cts.	\$ cts.	\$ cts.
Superintendence.....	Per \$1,000 of revenue.....	6 14	8 85	6 67	7 87
Outside Agencies.....	Per \$1,000 of revenue.....	16 04	92 70	15 27	11 17
Advertising and Radio.....	Per \$1,000 of passenger revenue.....	52 57	58 10	42 09	30 61
Colonization, Agriculture and Natural Resources.....	(Canadian National Expense 1930 \$545,000 and 1937 \$149,000. Canadian Pacific expenses charged Land Accounts.).....				
Other.....	Per \$1,000 of revenue.....	2 89	3 41	2 85	2 50
Total.....	Per \$1,000 of revenue.....	32 92	34 61	29 37	25 11
TRANSPORTATION EXPENSES—					
		cts.	cts.	cts.	cts.
Superintendence.....	Per train mile.....	5.3	6.9	5.0	5.8
Despatching Trains.....	Per 1,000 train miles.....	26 25	25 57	21 62	22 97
Station Service.....	Per \$1.00 of revenue.....	6.5	7.4	6.4	7.2
Yard Service.....	Per 1,000 car miles.....	10.91	13.51	8.66	11.25
Train Service.....	Per train mile.....	81.7	86.7	76.4	83.9
Telegraph and Telephone.....	Per \$1.00 of telegraph and telephone revenue.....	70.3	80.2	64.8	75.1
Express Service.....	Per \$1.00 of express revenue.....	54.3	46.7	57.4	50.7
Operating Floating Equipment.....	No comparable unit.....				
Other.....	Per train mile.....	9.32	10.27	7.32	9.23
Total.....	Per train mile.....	\$ 1 72	\$ 1 90	\$ 1 57	\$ 1 77

EXHIBIT NO. 82

COMPARISON BY C. P. RY. OF UNIT COSTS YEARS 1930 AND 1937, CANADIAN PACIFIC RAILWAY SYSTEM AND CANADIAN NATIONAL RAILWAYS

	Unit Basis	Year 1930		Year 1937	
		C.P.R.	C.N.R.	C.P.R.	C.N.R.
		\$ cts.	\$ cts.	\$ cts.	\$ cts.
GENERAL EXPENSES—					
Salaries and Expenses of General Officers.....	Per \$1,000 of revenue	2 99	4 41	2 82	2 02
Salaries and Expenses of Clerks and Attendants.....	Per \$1,000 of revenue	9 83	16 04	11 93	15 32
Law Expenses.....	Per \$1,000 of revenue	1 43	2 25	1 54	1 65
Stationery and Printing.....	Per \$1,000 of revenue	0 79	0 68	1 04	0 62
Insurance.....	No comparable unit.				
Pensions.....	Per \$1,000 of revenue	5 49	8 62	15 67	19 49
Other.....	Per \$1,000 of revenue	4 42	5 12	4 15	2 88
Total.....	Per \$1,000 of revenue	26 80	37 13	37 17	41 97
MISCELLANEOUS OPERATIONS—					
Dining and Buffet Car Service.....	Per \$1.00 of dining and buffet car revenue.....	1 33	1 56	1 42	1 57
Total Operating Expenses.....	Per \$1.00 of total revenues (operating ratio).....	78 36	91 18	80 40	91 12

NOTE:—Details of Expenses made on basis of accounts as set forth in exhibits Nos. 25 and 26, pages 64 to 83 inclusive of the record of the proceedings in order that the comparison as between the two railways and as between the two years may be as nearly comparable as possible. This has involved slight changes from the basis of figures used in exhibit 49.

Canadian Pacific Railway Company,
Montreal, June 11, 1938.

EXHIBIT No. 83

Report of Committee on appraisals on reproduction cost of the communication properties of C.P. and C.N. Rys. (Not printed.)

EXHIBIT No. 84

Copy of lease from Montreal Telegraph Company to Great North Western Telegraph Company.

THESE ARTICLES OF AGREEMENT, made this seventeenth day of August, A.D. 1881, by and between the MONTREAL TELEGRAPH COMPANY, hereinafter called the Company, a body corporate and politic, duly incorporated under the law of the Dominion of Canada having its chief place of business at the City of Montreal, represented for the purpose hereof by the President and Secretary thereof; And the GREAT NORTH WESTERN TELEGRAPH COMPANY, hereinafter called the Contractors, a body politic and corporate, duly incorporated by Statute of the Dominion of Canada, represented for the purposes hereof by the President and Secretary thereof; and the WESTERN UNION TELEGRAPH COMPANY, a body corporate, duly incorporated under the Laws of the State of New York, hereinafter called the Guarantors, parties of the third part, herein represented and acting by the President and Secretary thereof, duly authorized by the said company according to the Constitutions and By-Laws thereof, and according to the Laws of the said State of New York, Witness,

Whereas, the Company owns and operates lines of telegraph in the Dominion of Canada, and in the United States, and the Contractors own and operate a line of telegraph in the Province of Manitoba, and the Guarantors hold and operate the line of telegraph within the said Dominion of Canada, heretofore known as the line of the Dominion Telegraph Company.

And Whereas, for the purpose of terminating unnecessary expenditure, and of combining the advantages of the said several systems of telegraph, the said Contractors are willing, and have agreed, to undertake the working of the line of the Company, at a fixed rate of remuneration, upon the terms and conditions hereinafter provided, which offer the Company has accepted, and has approved the terms and conditions thereof, as contained in the present articles of agreement, by a resolution of the shareholders of the said Company, at a special general meeting thereof, duly called and held at Montreal on the 17th day of August, 1881, for the purpose of considering a proposal for the working of the lines of the Company, for an annual guaranteed dividend of Eight per cent. upon the capital stock of the Company of two millions of dollars and upon other conditions, a copy of which resolution is hereunto annexed.

Now, therefore, these presents witness that the parties hereto have covenanted and agreed as follows:

1. The Contractors undertake, for a period of ninety-seven years from and after the first day of July, 1881, to work, manage and operate the system of Telegraph, owned and heretofore operated by the Company by means of its own employees, and operators, and conduct the business thereof in all respects as efficiently as the Company has hitherto operated the same, collecting in the name of the Company such rates and charges for messages as the said Company shall establish from time to time, with all other the earnings of the said Telegraph system and lines, and all and every part thereof in such manner as to perform to the fullest extent all the obligations of the said Company towards the public.

2. From and after the said last mentioned day, the Contractors will, during the continuance of this agreement, maintain the said Telegraph lines in as good

condition and with equal efficiency for business, as the same now are. And to assist in the management and maintenance of the said line of Telegraph, it is hereby agreed that the Company shall deliver over to the Contractors, forthwith, all such materials and stock in hand as shall then be in its possession for the purpose of its ordinary current business; in which, however, shall not be included any stock of wire or other material which it has acquired for the purpose of building new lines, and which now remains in store and has not been issued for current use, which latter class of material the Contractors shall take over and pay for to the Company in cash at the cost price thereof. And it is hereby agreed that the Contractors shall assume and pay all expenditures on new lines incurred subsequently to July 1st, 1881.

3. The said Contractors shall have the right to use and occupy during the continuance of the present agreement, all the offices, stations, buildings and property of the Company, save and except the Board Room of the Company at Montreal, with the adjacent Secretary's Room, and except also a sufficient portion of the vaults of the Company for the purpose of preserving and keeping in safe custody the books and muniments of the Company, all of which, with free access thereto, are hereby reserved for the use of the Company, and the Contractors may sub-let such parts of the building of the Company as are not required to carry on the business of the Company. But the Company may sell or otherwise dispose of for its own benefit, the buildings in Montreal and Ottawa not now used or required for the use of the Company in its business.

4. It is hereby further covenanted and agreed by the parties hereto that upon the requisition of the Contractors, the Company shall from time to time change their tariff of fees and rates in such manner as shall be stated in such requisition, provided always that the Company shall not be required or bound to make such alteration in the said rates as shall make the transmission of a message of ten words over the present extent of the lines of the Company in Canada or any part thereof, cost more than twenty-five cents, but subject to be adequately increased generally or locally in the event of any charge or tax being at any time imposed by any Parliamentary or local enactment or authority beyond the amount now payable by the Company or in the event of the Contractors being legally compelled to substitute or provide other means than those now in use by poles for carrying their wires through cities and towns.

5. The Contractors hereby bind and oblige themselves to pay to the Company, quarterly, during the continuance of this agreement, the sum of forty-one thousand two hundred and fifty dollars on the first days of October, January, April and July in each year from out of the proceeds of the operation and use of the said Company's lines and property which proceeds, the contractors hereby warrant shall amount to the said sum of forty-one thousand two hundred and fifty dollars per quarter, or one hundred and sixty-five thousand dollars per annum.

6. The said Contractors also bind and oblige themselves to pay all costs and expenses of operation of every description, including Municipal taxes, and assessments on property owned by the Company and occupied by the Contractors, and shall keep the property of the Company free and clear from all liens and incumbrances arising from taxes and assessments, or from any act of the said Contractors during the continuance of the present agreement.

7. The Contractors hereby further agree and bind themselves at all times during the continuance hereof, faithfully to execute and perform all the contracts, covenants and agreements of the said Company, agreed to be executed and performed by the Company, in the several contracts and agreements between the said Company and all Railway Companies and other parties, that are now in force and effect, and to save and hold harmless and indemnified the said Company from all such covenants, contracts, and agreements. And the Contractors hereby acknowledge to have received communication of such contracts and agreements, a list of which, signed by the parties hereto, is hereto annexed.

8. It is further covenanted and agreed by and between the parties hereto, that if, at any time, the Contractors should fail to make any one of the quarterly payments hereinbefore stipulated, and the default to pay the same should continue for thirty days after the same shall have become due, and notice in writing of such default shall have been given to the Guarantors by serving the same on one of their principal officers in the City of New York at the expiration of the said period of thirty days, and if the said Guarantors shall not pay the sum so in default within thirty days after the service of such notice in writing, the Company shall have the option in its own discretion to resume possession of its lines and property, without any legal proceedings being necessary for that purpose, further than a notice, in writing, to the Contractors and Guarantors, of the intention so to resume possession thereof. And by so resuming possession of the said line, (if the Company should make its option so to do), it shall not impair or obstruct its remedies for the recovery of any arrears of the said payments due at the time of such resumption, against the said Contractors or against the sureties for such payment hereinafter provided for. And upon resuming possession as aforesaid, upon such default, the present agreement in so far as it shall entitle the Contractors to work and operate the said line of telegraph, or to receive any remuneration rate or charge for any message over the said line, or any revenue of any kind or description in respect of the property of the said Company, shall ipso facto cease and be determined, remaining in force, however, in respect of any stipulations therein contained for the protection of the Company from taxes or assessments and from other liens or indebtedness, and in respect of the maintenance of the line of the Company in good order and condition as hereinbefore agreed.

9. And from and after such resumption, the Company shall hold, and enjoy, use and operate the said line of telegraph, and the property referred to in the present agreement, in the same manner and to the same extent as if this agreement had not been executed. And in such case the Contractors shall forfeit and surrender to the Company for its use and benefit all additions and improvements they may have made to or upon the lines and property of the Company herein referred to, and all telegraph lines, with their appurtenances, which the Contractors may have constructed during the continuance hereof. And the Contractors will also pay to the Company all sums which may be due to it under the provisions hereof to be computed down to the time of such resumption of possession.

10. The Contractors hereby further expressly covenant and agree that upon the termination of the period herein limited, or upon the earlier termination of this agreement for any cause, they will deliver the line of telegraph and property herein described or referred to, to the Company in as good a condition for business as that in which they were when received from the Company by the Contractors under the terms hereof, together with all improvements and additions which the said second party shall have made upon or to the said line of telegraph and property during the continuance hereof, and also together with all supplies for the ordinary current maintenance of the said telegraph line, which shall then be in the possession of the Contractors, for the purpose of repairing, maintaining and operating the lines so to be returned to the Company.

11. It is hereby further understood and agreed that all contracts heretofore made by the Company for future deliveries of supplies and material are hereby assigned to and accepted by the Contractors, who hereby undertake and agree to carry out the conditions of such contracts to the entire exoneration and discharge of the Company.

12. In consideration of the premises, it is hereby further agreed by and between the parties hereto, that the Contractors shall retain as their remuneration for the working and operation of the said telegraph lines and for the

performance by them of all the obligations and duties hereby imposed upon them, the balance of the earnings and income of the said telegraph line and property which shall remain in their hands after the payment to the Company of the said sum of one hundred and sixty-five thousand dollars per annum. The said Contractors hereby agreeing to accept such balance as such remuneration, to whatever sum the same may amount. And they hereby assume all risk of there not being any such balance, hereby undertaking and agreeing to make no claim or demand upon the Company for remuneration upon any ground, or for any cause whatsoever, the true intent and meaning of these presents being that the Company shall, during the continuance of this agreement, continue to receive the quarterly sum of forty-one thousand two hundred and fifty dollars at the dates hereinbefore mentioned, whether the earnings and revenue of the said lines and property shall amount to that sum, or more, or less.

And the said Guarantors, the Western Union Telegraph Company, parties hereto of the third part in order to perfect and extend the connection of Telegraph Companies and to promote a union with the Telegraph systems of other states and countries, do hereby declare that they have taken communication of the foregoing articles of agreement, and at the request of the Contractors, and for and in consideration of the sum of one dollar to them in hand paid by the Contractors, the receipt of which is hereby acknowledged, they, the said Guarantors, do hereby bind and oblige themselves, as the sureties of the said Contractors, jointly and severally with them, for the payment of all the sums of money and the performance of all the obligations and duties, which the said Contractors have in and by the said articles of agreement bound and obliged themselves to pay and perform respectively.

The said Guarantors hereby undertaking to make such payments and to perform such obligations and duties respectively, upon receiving notice as aforesaid from the Company of the default of the Contractors so to do, and without any obligation on the part of the Company to attempt to enforce the making of such payment in default or the performance of such obligation or duty in default by the Contractors, before seeking its recourse against the said Guarantors, the latter hereby expressly waiving any right or claim which they might have, to the discussion by the Company, of the Contractors, before proceeding against the said sureties.

In Witness Whereof, the parties hereto have executed these presents, at the places and dates set opposite their names respectively, in triplicate.

Signed and executed by the Montreal Telegraph Company and the Great North Western Telegraph Company of Canada, at Montreal, this Seventeenth day of August, A.D. One Thousand Eight Hundred and Eighty One.

(Sgd) HUGH ALLAN, *President, Montreal Telegraph Co.*

(Sgd) JAMES DAKERS, *Secretary.*

(Sgd) ERASTUS WIMAN, *President, Great North Western Telegraph Co. of Canada.*

(Sgd) ED. P. LEACOCK, *Secretary, Great North Western Tel. Co. of Canada.*

Signed and executed by The Western Union Telegraph Company in the City of New York, August 20, 1881.

THE WESTERN UNION TELEGRAPH COMPANY, by

(Sgd) NORVIN GREEN, *President.*

(Sgd) A. R. BREWER, *Secretary.*

EXHIBIT No. 85

RESTATEMENT BY C.P.RY. OF EXHIBIT No. 56, *re* PRESENT STATUS OF PROPOSALS
FOR LINE ABANDONMENT*Canadian Pacific Criticism of Canadian National Exhibit No. 56:*

Exhibit No. 56 presents the Canadian National view of the present status of the various line abandonment suggestions included in its statement of 2,098 miles common to the Canadian Pacific and Canadian National submissions to the Duff Royal Commission. The Canadian Pacific does not agree with this view.

The Canadian Pacific believes that in tabulating the status of the several items included in the 2,098 miles as listed by the Canadian National, the 2,179 miles of railway actually dealt with must be considered. The Canadian Pacific presents in the following statement its understanding of the present status of these 2,179 miles.

It will be noted from this Canadian Pacific statement that more mileage has been actually abandoned, that more mileage has been approved by the Joint Executive Committee for preparation of abandonment agreements, that more mileage is at present under study for abandonment, and that less mileage has been rejected for abandonment than the Canadian National indicates in Exhibit No. 56.

The Canadian National exhibit implies that the rejected mileage has been finally rejected. The Canadian Pacific statement divides this mileage between that rejected under co-operation by the Joint Co-operative Committee and that rejected by the Canadian National without consultation with the Canadian Pacific. The Canadian Pacific believes that under unification all of this rejected mileage must be restudied and that under such restudy it will be found possible to abandon a very substantial portion of it.

EXHIBIT No. 85—Continued

Memorandum:

The Canadian Pacific desires to draw attention to the fact that a summary of the information appearing in the Proceedings indicates that:—

	Miles
The mileage abandoned under Joint Co-operative Committee Reports No. 25 and No. 31 is.	39
The exclusive Canadian Pacific abandonment in conjunction with Report No. 61 is.	41
The exclusive Canadian National abandonments within the limits of the Canadian National statement of 2,098 miles is.	64
Making a total of actual abandonments to date within the limits of the Canadian National statement of 2,098 miles of.	144
The exclusive Canadian Pacific abandonments beyond the limits of the Canadian National statement of 2,098 miles but within the limits of the Canadian Pacific submission to the Duff Royal Commission, being parts of Items No. 2 and No. 11 and all of Item No. 30 in that submission is.	64
Making a total of actual abandonments to date within limits of co-operation or of the Canadian Pacific submission to the Duff Royal Commission of.	208
In addition, beyond the limits of the Canadian Pacific submission to the Duff Royal Commission, the Canadian National has received approval of the Board of Railway Commissioners for exclusive line abandonments totalling.	220
And the Canadian Pacific has received similar approval of, and has made, exclusive line abandonments of.	37
So that the total of line abandonments already made since the submissions to the Duff Royal Commission amount to.	465
Under Joint Co-operative Committee Reports Nos. 30, 33, 34, 35, 36, 38-A, 39, 40, 41, 47, 55, 60, 61 and 62, the Joint Executive Committee has approved preparation of agreements covering additional abandonments of.	584
And in conjunction with Joint Co-operative Committee Report No. 34, the Canadian National has undertaken to abandon.	9
So that the total of line abandonments already made and in prospect amounts to.	1,058

Montreal, P.Q.,

June 13, 1938.

N—Denotes Canadian National. P—Denotes Canadian Pacific. N.A.R.—Denotes Northern Alberta Railways.

No. on C.P.R. Proposal Ex. 50	Location	C.N.R. State- ment of Railway and Common Mileage	Present Status	Railway and Mileage						Not Yet studied
				Actually abandon- ment being prepared	Abandon- ment Agree- ment being pre- pared	Abandon- ment Agree- ment held in study	Rejected			
							Under Co-oper- ation	By C.N.R. ex parte		
									See Note		A below
1	Middleton Jct.—Granville Centre.....	N 22	Exclusive C.N.R. and Re- port No. 34.....	N 22						
6	Grand Falls—Edmundston	P 27	Report No. 31.....	P 28						
8	Scott's Jct.—Hartlake Jct.	P 16	Report No. 46.....	N 11				P 16		
14	Farnham—St. Johns.....	N 13	Report No. 25.....	N 22						
9	Dombourg—St. Marc.....	Nor.P. 23	Exclusive C.N.R.							
18	Soulages—Cornwall.....	P 27	Not studied jointly.						P 27	
22	Arnprior—Renfrew.....	N 17	Under study.....					N 17		
23	Payne—Eganville.....	P 19	Under study.....					P 19		
24	Federal—Capreol.....	N 109	Reports No. 55 and No. 43							
25	Lyn Jct.—Fortar.....	N 31	Not studied jointly.					N 97	N 31	
26	Glen Tay—Whitby.....	P 164	Glen Tay—Shannonville Report No. 42.....					P 71		
27	Ronnac—Greenburn.....	N 35	Shannonville—Darlington. Exclusive C.N.R.	N 42						
29	Palgrave—Collingwood.....	N 42	Not studied jointly.							
28	Lindsay—Coldwater.....	Nor.P. 56	Excl. C.P.R. and Report No. 61.....	P 41	P 33				N 42	
34	Linwood—Listowel.....	P 16	Report No. 35.....							
40	Glencoe—Kingscourt.....	N 21	Not studied jointly.						N 21	
39	Woodstock—Walkerville Jct.....	P 135	Under study.....					P 135		
41	Beaverton—Long Lac.....	N 141	Report No. 30.....							
42	Key Jct.—Key Harbour.....	N 64	Under study.....					N 64		
44	Nakina—Paddington.....	P 63	Under study.....					P 63		
43	Nipigon—Current River.....	N 59	Under study.....					N 59		
44	Comnee—Superior Jct.....	N 24	Report No. 36.....					N 15		
45	Beach Jct.—East Selkirk.....	P 40	Under study.....					P 40		
47	Rugby Jct.—Morris.....	P 35	Not yet studied jointly.							
49	Elm Creek—Plum Coulee.....	N 22	Under study.....					P 35	P 40	
50	Portage—Gladstone.....	N 19	Report No. 56.....					N 24		
51	West Tower—Deer.....	N 19	Not studied jointly.						N 19	
53	Carberry—Carberry Jct.....									

EXHIBIT No. 85—*Concluded*

CANADIAN PACIFIC VIEW OF PRESENT STATUS OF 2,098 MILES COMMON TO C.P.R. AND C.N.R. PROPOSALS FOR ABANDONMENT LINES BEFORE DUFF ROYAL COMMISSION, 1932

(C.P.R. restatement of C.N.R. statement filed as Exhibit No. 56)

N—Denotes Canadian National. P—Denotes Canadian Pacific. N.A.R.—Denotes Northern Alberta Railways.

No. on C.P.R. Proposal Ex. 50	Location	C.N.R. State- ment of Railway and Common Mileage	Present Status	Railway and Mileage																
				Actually aban- doned	Aban- donment Applica- tion to B.R.C. being prepared	Aban- donment Agree- ment being pre- pared	Aban- donment Agree- ment held in abey- ance	Under study	Rejected											
									Under Co-oper- ation	By C.N.R. ex parte										
52	MacGregor—Varcoe.....	55	Under study.....						P 55											
55	Gautier—Miniota.....	44	Under study.....						P 44											
56	Forrest—Wheatland.....	19	Not yet studied jointly.....																	
57	Brandon—Maryfield.....	75	See Item 62 below.....																	
59	Holmfild—Deloraine.....	51	Report No. 38-A.....																	
60	Binscarth—Ingils.....	24	Not yet studied jointly.....																	
61	McAuley—Virden.....	36	Not yet studied jointly.....																	
62	Maryfield—Peebles.....	71	Report No. 39.....																	
66	Worrell—Moose Jct.....	39	Under study.....																	
68	Young—Colonsay.....	16	Report No. 44.....																	
70	Saskatoon—Unity.....	120	Under study.....																	
72	Bruderheim—Edmonton.....	33	Under study.....																	
71	Edmonton—Kerensky.....	45	Not yet studied jointly.....																	
71	Carbondale—Mornville.....	5	Not yet studied jointly.....																	
73	Tofield—Barlee Jct.....	23	Not studied jointly.....																	
74	Warden—Alix.....	22	Report No. 41.....																	
75	Red Deer—Rocky Mtn.Hs.....	55	Report No. 33.....																	
76	Grainger—Barlow Jct.....	47	Report No. 40.....																	
83	Lake End—Cowichan Lake.....	31	Not studied jointly.....																	
82	Log Dump—Deerholm.....	7	Not studied jointly.....																	
Sub-Totals.....		969		75	22	95	156	219	192											
		P 984		69	16	109	122	631	87											
		NorP 95							16											
		NAR 50																		
Grand Total.....		2,098		144	38	204	278	850	295											

Some 1,000. Neither the railway nor the

	Canadian National Totals as shown in Exhibit 56	Canadian Pacific Totals as shown in above
	Miles	Miles
Actually abandoned.....	98	144
Abandonment applications to B.R.C. being prepared.....	38	38
Abandonment agreements being prepared.....	211	204
Abandonment agreements held in abeyance.....	228	278
Preparation of agreements approved by Joint Executive Committee.....	439	482
Under study.....	830	850
Rejected under co-operation (not necessarily under unification).....	.....	295
Rejected by C.N.R. ex parte (without joint study).....	.....	201
Rejected.....	593	496
C.P.R. non-competitive lines.....	100	...
Not yet studied.....	....	169
Total.....	2,098	2,179

Montreal, P.Q.
June 13th, 1938.

EXHIBIT No. 86

STATEMENT BY C. N. RYS. RESPECTING THE DIVERSION OF FREIGHT TRAFFIC
FROM N.T.R. TO I.C.R. BETWEEN RIVIÈRE DU LOUP AND MONCTON

The physical characteristics of the alternative routes between Joffe and Moncton are such that heavier trains can be handled over the N.T.R. The density of passenger traffic also being lighter on the N.T.R., with better facilities for the yarding of trains at Monk, Edmundston and Napadogan than at Rivière du Loup, Mont Joli and Campbellton it is possible to give quicker despatch via the N.T.R.

The utility of the N.T.R. route as compared with the I.C.R. for freight operation is demonstrated in the following table which shows the number of trains it would be necessary to run over the various portions of the two routes using 53 per cent Mikado type locomotives with full rating to handle eastward one hundred thousand gross tons in 2,500 cars (equals 40 gross tons per car, the average for 1937).

N.T.R. Route—		No. of trains	Trains miles	
Joffe-Monk..	103 miles	38	3,914	
Monk-Edmundston..	124 "	33	4,092	
Edmundston-Napadogan..	113 "	36	4,068	
Napadogan-Moncton..	119 "	35	4,165	2,827 actual gross tons
	459 "		16,239	Total
I.C.R. Route—				
Joffe-Riv. du Loup..	117 miles	48	5,616	
Riv. du Loup-Mont Joli..	83 "	58	4,814	
Mont Joli-Campbellton..	105 "	35	3,675	
Campbellton-Moncton..	187 "	59	11,033	1,957 actual gross tons
	492 "		25,138	Total

This shows that 55 per cent more train miles are required on I.C.R. than on the N.T.R. to handle the same amount of traffic, without regard to the more adverse weather conditions on the I.C.R. It may also be remarked that an increased grain movement, for instance, resulting in greater average gross tons per car, would raise this percentage, the increase in train miles via the I.C.R. amounting to 61 per cent where cars average 60 gross tons.

The data shown above relates to eastward movements only, but as the operating conditions affecting westward movements are very similar it would seem unnecessary to treat them separately except to point out that on the I.C.R. full tonnage trains must be assisted in each direction over the Sayabec grade, a distance of 29 miles, whereas, on the N.T.R. there are 13 miles of pusher grade eastward to Summit and 13 miles of pusher grade westward to Pelletier.

EXHIBIT No. 87

MEMO BY C. N. RYS. CONCERNING ACTIVITIES CONDUCTED AT VARIOUS STATIONS
BETWEEN MONK AND PACIFIC JUNCTION

Lafontaine, Que.—This station serves a growing farming and lumbering community extending to the State of Maine boundary to the south (St. Pamphile). The distance by highway from Lafontaine to St. Jean Port Joli on the Montmagny Subdivision, nearest rail facilities if line abandoned, is 20 miles. Or distance by highway from St. Pamphile to St. Jean Port Joli would be 30 miles.

Holliday, Que.—This station serves also Bretagne, $4\frac{1}{2}$ miles east, from which point there is a highway to St. Philippe, Montmagny Subdivision, a distance of 12 miles. This will be the only available outlet if the line is abandoned.

River Manie, Que.—This station serves a district which has produced large volumes of forest products for many years. If the line is abandoned, the only other outlet would be through Crown Lake to St. Pascal, on the Montmagny Subdivision, a distance of 14 miles from Crown Lake; or from the River Manie Station 16 miles to St. Pascal. The district served by this station includes such mills as East Lake, Powersville, LaPointe, all large producers of lumber, pulpwood and other forest products.

Pelletier, Que.—Serves St. Athanase and other communities to the south towards State of Maine boundary. Chabot, 9 miles distant, has five saw mills—no other outlet except highway to Ste. Helene, 25 miles. Distance by highway Pelletier to St. Alexandre, 15 miles.

St. Eleuthere, Que.—Only outlet if line abandoned would be to Pelletier, thence to St. Alexandre, distance 24 miles—or to Notre Dame, on Temiscouata Ry., via Riviere Bleue, distance of 36 miles over very hilly country.

Estcourt, Que.—Serves large saw mills—Beaupre Durette & Co. Only outlet if line abandoned would be highway to St. Alexandre, through Pelletier, distance of 28 miles, or through Riviere Bleue to Notre Dame on Temiscouata Ry., distance of 31 miles, over very hilly country.

Sully, Que.—Serves an Agricultural College and a growing agricultural community. Only outlet if line abandoned would be to St. Alexandre, via Pelletier, distance of 26 miles, or through Riviere Bleue to Notre Dame on Temiscouata Ry., distance of 26 miles, over very hilly country.

Riviere Bleue, Que.—This station serves also Landry's Siding, where the D'Auteuil Lumber Co. carry on a very large pulpwood operation, drawing pulpwood from the State of Maine, the average yearly cut amounting to 25,000 cords, all of which is shipped out by rail, largely to Mechanicville, N.Y. If line were abandoned in this district, the only other outlet for this wood would be to Stream Drive to a point on the Bangor & Aroostook Ry.

Also in the Riviere Bleue district are large lumber and shingle mills; namely, at Landry, Riviere Bleue and Beau Lake, the output of which mills would have no outlet to market, except by highway to Notre Dame on the Temiscouata Railway, a distance of approximately 30 miles, over hilly country.

Clendyne, Que.—Serves also Belanger Siding, where A. J. Morin operates a saw mill, producing lumber and other forest products; also a charcoal plant. The only outlet for this traffic, if the line is abandoned, would be to Edmundston by highway, a distance of 32 miles.

Lac Baker, N.B.—This station serves a growing farming district. If our line is abandoned in this territory, the district would be served only by highway to Edmundston, a distance of approximately 23 miles, or by the Temiscouata

Ry.—Connor's Branch—reached by highway over a hilly country, a distance of 15 miles.

Edmundston, N.B.—Here is located the pulpmill of Fraser Companies Limited, with a capital investment of \$6,000,000, manufacturing pulp for the Madawaska, Me., paper mills and pulpwood board for shipment direct from Edmundston by rail. Fraser Companies' investment in their Madawaska mills represents another \$9,000,000.

The abandonment of this line would leave this important industry at the mercy of branch line services, the present Canadian National route being the direct short line to Montreal and points west in Canada and the United States.

The abandonment of this line would also prove to be a very serious matter to Nova Scotia Coal producers. During the year 1937, the Canadian National handled into Edmundston, for these mills, 1,819 carloads Nova Scotia coal, equal to 85,000 tons, which quantity of coal would be supplied by United States producers through Searsport, Me., and the Bangor & Aroostook Railway, with Canadian Railways not participating in the movement at all.

Grand Falls, N.B.—This station serves one of the best potato growing districts in the Province of New Brunswick, there being thirteen potato warehouses located on the C.N.R. tracks under the jurisdiction of this station; namely, Grand Falls 3, Caldwell 1, Cote 4, Poitras 1, Drummond 4. If line abandoned these potato warehouses would also have to be abandoned and potatoes shipped from C.P.R. tracks, an extra haul of five to ten miles.

Grand Falls also serves large saw mill at Davis No. 2, located on Salmon River. If line abandoned, they would have to haul their product a distance of 10 or 15 miles to nearest Railway facilities.

New Denmark, N.B.—Serves very prosperous Danish Settlement—five potato warehouses. If line abandoned, it would mean an average haul by highway of ten miles to nearest Railway facilities.

Plaster Rock, N.B.—Serves two potato warehouses at Sisson and Wapske Siding, serving large saw mill—Beaupre Durette & Co.

Summit, N.B.—Serves also Longley Siding, producing spoolwood shipped by W. S. Anderson for export overseas.

Juniper, N.B.—Principal industry—Lumber Mill, Flemming & Gibson Ltd., located about 2 miles from C.N.R. station, distance to nearest C.P.R. station (Bristol), by highway, 23 miles. The capital investment in this industry is \$200,000.

Napadogan, N.B.—R. W. Baird—Last Block Mill—ships products for overseas, also manufactures lumber for domestic market. Nearest rail facilities if line abandoned would be by highway to Stanley, a distance of 20 miles.

McGivney Jct., N.B.—This station is the Junction of the Nashwaak Sub-division and serves important lumber mills at Phoenix Mills, Mavis, North Cains, Mullen, Landers, Miramichi Lumber Co., Maple Grove, most of which are without any other means of disposing of their product.

Hardwood Ridge, N.B.—In addition to commercial coal traffic shown, there were shipped, from Hardwood Ridge in 1936, 1,125 cars of Railway Coal, and, in 1937, 865 cars. Decrease due to strike.

EXHIBIT No. 88

CANADIAN NATIONAL RAILWAYS—SHOWING POPULATIONS, TONS OF FREIGHT, GROSS FREIGHT REVENUE, AND PASSENGER EARNINGS, STATIONS MONK TO PACIFIC JCT. EXCLUSIVE, 1937

Station	Popula- tion served	Re- ceived	For- warded	Total	Gross Freight Revenue	Pass- enger Tickets Sold	Revenue
					\$ cts.		\$ cts.
Lafontaine.....	4,925	1,449	37,310	38,759	143,277 98	1,369	1,867 85
Colliday.....	65	436	6,886	7,322	24,380 75	469	262 15
River Manie.....	1,650	769	47,923	48,692	141,468 21	597	477 40
Belletier.....	650	184	15,940	16,124	47,268 41	348	186 20
St. Eleuthere.....	2,000	908	6,942	7,850	37,276 00	1,322	1,560 35
St. Leonard.....	1,200	1,572	11,316	12,888	67,567 00	1,171	1,598 45
St. J. J. Sullivan.....	900	3,027	4,284	7,311	13,078 77	492	670 30
Riv. Bleue.....	1,800	1,936	49,221	51,157	241,608 42	3,195	3,132 70
St. Landyne.....	800	462	4,262	4,724	18,290 00	268	499 00
St. Baker.....	3,100	873	3,127	4,005	14,444 00	1,032	1,049 00
Edmundston (only)....	7,000	166,616	40,980	207,596	368,136 00	5,235	18,289 00
Green River.....	3,300	1,179	5,040	6,219	21,319 24	153	283 90
St. Leonard.....	3,300	24,929	27,472	52,401	259,302 00	1,609	3,276 00
Grand Falls.....	5,600	4,483	10,587	15,070	120,448 23	1,212	2,823 40
New Denmark.....	1,500	2,302	13,293	15,595	78,111 33	474	882 80
Master Rock.....	4,500	11,804	15,896	27,700	55,044 19	2,219	4,047 80
St. J. J. Sullivan.....	40	230	895	1,125	2,700 34	245	204 40
St. J. J. Sullivan.....	1,000	2,240	20,004	22,244	87,061 58	1,424	2,917 72
St. J. J. Sullivan.....	200	396	4,341	4,737	17,309 15	562	660 70
St. J. J. Sullivan.....	100	563	10,049	10,612	39,018 17	1,189	1,379 60
St. J. J. Sullivan.....	550	2,551	37,732	40,283	35,554 71	1,233	2,378 90
St. J. J. Sullivan.....	2,700	5,245	25,246	30,491	61,571 23	1,653	1,937 40
Grand Total.....	52,180	234,159	398,746	632,905	1,894,235 71	27,521	50,385 02

(Excluding Edmundston, Green River and St. Leonard)

Freight Forwarded.....	325,254 Tons
Freight Received.....	41,435 "
	366,689 " \$ 1,245,478 47
Number Tickets Sold.....	20,524 28,536 12
	\$ 1,274,014 59

STATEMENT for the year 1937 of total Railway Freight—Passenger and Express earnings—the approximate population and property investment by others than the railway for each agency station (including flag stations handled by such agency stations) on the proposed abandonment of the Canadian National Main Line Monk, Que. to Diamond, Que.

Station	Total 1937 Railway Freight- Passenger and Express earnings	Approximate Population served	Approximate Property investment by others than the railway	Remarks
	\$		\$	
St. Isadore (Dor. County).....	12,400	8,900	750,000	
St. Anselme.....	845			
St. Claire.....	2,120			
St. Malachie.....	40,854	11,200	2,627,500	
St. Damien.....	28,896	4,335	1,567,000	
St. Eri.....	523			
St. Armagh.....	48,009	5,600	1,020,000	
St. Euphemie.....	18,218	4,700	765,000	
St. Josaire.....	21,009	1,870	355,000	
St. Apolline.....	7,000	1,000	150,000	
St. Bras D'Apie.....	15,586	5,100	848,000	
St. Monk-Flags West.....	42,551	1,100	175,000	
Totals.....	238,011	43,805	8,257,500	

EXHIBIT No. 89

JOINT REPORT OF C.N. AND C.P. RYS. ON BRITISH COLUMBIA COASTAL
STEAMSHIP SERVICE

Pursuant to instructions the undersigned have investigated the operation of the National and Pacific Companies' B.C. Coastal Fleets and would respectfully submit the following:—

The National Company operate three all-year routes and one summer route.

Consist of fleet: 6 ships. (See Exhibit A.)

The Pacific Company operates seven all-year routes, augmenting the Nanaimo and Alaska services in summer season; a motor car ferry service in summer months is also operated between Sidney and Steveston.

Consist of fleet: 17 ships; 5 barges; 3 tugs.

Maps showing all these routes are attached.

Other attachments

Exhibit (a)—With details of ships for the National Fleet.

Exhibit (b)—With details of ships for the Pacific Fleet.

Exhibit (c)—Indicating routes operated by the National Company and total receipts and operating costs of each route in 1932.

Exhibit (d)—Indicating routes operated by the Pacific Company and total receipts and operating costs of each route in 1932.

Exhibit (e)—Indicating number of days of operation of each vessel of National Company in 1932.

Exhibit (f)—Indicating number of days of operation of each vessel of Pacific Company in 1932.

Exhibit (g)—Memorandum on terminals at various ports.

Earnings and Expenditures—in 1932 as presented in Comptroller's reports were

	Earnings	Expenditures
National.. . . .	\$ 821,906 68	\$1,319,258 78
Pacific.. . . .	2,524,949 13	2,648,863 61

(National Expenditures include \$294,112.23 for charges on *Prince Henry* and *Prince David* Eastern operation.)

Objective—

To effect all economies possible in operations of the several Coastal services under either of the following proposals:—

- (1) Amalgamation of the present fleets thereby enabling the formation of an independent steamship company.
- (2) The elimination of duplicate service through co-operative measures.

Findings—

Both companies have, most apparently, effected substantial reductions during the past year and their programs for 1933 will show continued reductions by the laying up of ships and other economies in operation.

The all-year and summer routes operated in 1932 are considered necessary and should be continued. Curtailments of periods of operation of summer services are already provided for. Results in 1932 show that "out of pocket" expenses on practically all routes were exceeded by receipts.

The feeding values to rail and other services by the ships of both companies on the Northern British Columbia route substantially helped out in the gross earnings.

Proposal No. 1—

Yearly savings estimated at \$27,200 could be made on the following items of expense:—

Terminals—(See Exhibit “DA”)	\$20,700.00
In administration through amalgamation and reduction of staffs	6,500.00
Total	\$27,200.00

It could not be found that any savings by withdrawal of ships from routes could be made as none of these routes should be closed.

To offset this saving there would be additional expense to provide the independent company with auditing and accounting department, staff to handle traffic requirements, as the solicitation, advertising, tariff, printing and ticket work is now done by each company's respective rail department. Estimate of such expense to the proposed company would be \$40,000.00 made up as follows:—

Cost of Traffic Department for salaries, advertising, printing, tickets and tariffs	\$30,000.00
Office accommodations and maintenance for traffic and auditing staffs	10,000.00
Total	\$40,000.00

At present the National Company is assessed \$21,000 and Pacific costs would be about \$19,000 making total of \$40,000.

Barge service is operated by the Pacific Company at a profit, but such service is not operated by the National Steamships as this comes under the rail operating branch of that Company. The cost and earnings for same not at present available.

Proposal No. 2

It cannot be found that any further economies can be effected through mutual co-operation than what has already been accomplished.

General

The total year's expenses of the National Company exceed the operating costs as given in Exhibit (c) by \$760,220.13.

The total year's expenses of the Pacific Company exceed the operating costs as given in Exhibit (d) by \$620,660.31.

These differences are due to charges covering lay-up of ships not operated in off seasons, administration expenses, floating equipment retirements and other expenses assessed against each company.

A review of statement (e) will show that heavy expense due to ships laying idle is incurred annually, and the disposal of some of these ships would materially reduce the annual charges.

Both companies experience considerable competition from other steamship lines up and down the coast: to Alaska, the Pacific Steamship and Alaska companies operate all year services in addition to special summer services. The Northland Steamship Company carry on coastal trade between Alaska ports and Seattle and are quite a factor in the freight traffic.

The Union Steamship Company of British Columbia, serving all ports north of Vancouver in Canadian waters, are very active in freight and passenger traffic.

In addition there are numerous smaller lines operating to the West Coast of Vancouver Island as well as to other ports up and down the coast.

As a result of this competition the Traffic Departments of both the Pacific and National companies have to be very active in their efforts to secure traffic for their respective ships.

Signed:

FOR PACIFIC COMPANY
C. D. NEROUTSOS,
Manager, Coastal Services.

N. R. DESBRISAY,
Asst. Pass. Traffic Manager.

FOR NATIONAL COMPANY
THOS. LOUDEN,
Act. Genl. Superintendent.

G. A. McNICHOLL,
General Passenger Agent.

1938
THE SENATE OF CANADA



PROCEEDINGS
OF THE
SPECIAL COMMITTEE

Appointed to

ENQUIRE INTO AND REPORT UPON THE BEST MEANS OF RELIEVING THE
COUNTRY FROM ITS EXTREMELY SERIOUS RAILWAY CONDITION
AND FINANCIAL BURDEN CONSEQUENT THERETO

No. 20

The Right Honourable George P. Graham, P.C., and
the Honourable C. P. Beaubien, K.C.,
Joint Chairmen

WITNESSES:

Mr. T. H. Cooper, Comptroller, C.N.Rys.
Mr. N. B. Walton, Chief of Transportation, C.N.Rys.

EXHIBITS:

- o. 90 and 90A. Statements of C.P.R. and C.N.R. gross revenues and expenses, January to April, inc., 1938.
- o. 91. Statement of operating ratios U.S. class 1 roads.
- o. 92. Communication from the General Counsel, C.P.Ry. enclosing and commenting upon joint statements prepared by C.P. and C.N.Rys. *re* line abandonments, etc.
- o. 93. Comparative statement submitted by Mr. T. H. Cooper, Comptroller, C.N.Rys.

MINUTES OF EVIDENCE

THE SENATE,

WEDNESDAY, June 15, 1938.

The special committee appointed to inquire into and report upon the best means of relieving the country from its extremely serious railway competition and financial burden consequent thereto, met this day at 11 a.m.

Right Hon. George P. Graham and Hon. C. P. Beaubien, joint chairmen.
Col. O. M. Biggar, K.C., counsel to the committee.

The CHAIRMAN (Hon. Mr. Beaubien): Gentlemen, are you ready to go on?

Hon. MEMBERS: Go on.

Mr. BIGGAR: Mr. Chairman, I have the returns that the committee has asked for. This is a return from the Bureau of Statistics with regard to the situation in respect of both railways for the first four months of this year, January to April, by comparison with the same period last year. I think the return in the form in which it is furnished by the Bureau had better be marked as an exhibit, and then I will give the effect of it.

This will be Exhibit No. 90.

Its effect is this. So far as the Canadian National is concerned, the revenues have fallen from 62 million to 55.1 million—a difference downwards of 6.9 million. At the same time expenses have gone up; last year they were 57.4 million and this year 59.5 million—an increase of 2.1 million. This makes a total difference of 9 million.

The Canadian Pacific revenues last year were 43.5 million and this year 40.5 million—a difference downwards of 3 million. The expenses last year were 38 million, and this year 38.8 million—a difference upwards of .8 million. But there is something to be added to that, because in the 1937 figure of 38 million there are included tax accruals of 1.4 million, and the return in respect of tax accruals for 1938 has not yet come in. So the expenses, if the tax accruals are the same last year as they were this year, will increase by 1.4 million, and turn that .8 plus into 2.2 plus.

Right Hon. Mr. MEIGHEN: Are the tax accruals in the Canadian National figures?

Mr. BIGGAR: The tax accruals are in both the Canadian National figures. There is no point about that in its case.

Right Hon. Mr. MEIGHEN: Do you know if they are included in the Canadian National?

Mr. BIGGAR: Oh, yes. The note makes it clear that that applies only to the C.P.R.

Hon. Mr. HAIG: What are the figures?

Mr. BIGGAR: Revenues last year and this year, 43.5 and 40.5; expenditures 38 and 38.8, without regard to tax accruals, which you would have to add to the expenses.

The CHAIRMAN (Hon. Mr. Beaubien): The two railways are worse off, the Canadian National by nine millions in four months, and the C.P.R. by 5.2 millions.

Hon. Mr. HORSEY: Five millions with the taxes.

Mr. BIGGAR: If the taxes were the same this year as last, 5.2 millions.

Hon. Mr. BLACK: That is not a very encouraging statement.

Mr. BIGGAR: Now, I have been supplied by the Canadian Pacific with statement of the operating ratios of about fifteen first-class roads in the United States, being all those that have revenues of \$75,000,000 or over. The operating ratios are given not only for 1930, but for each of the subsequent years. I thought we might have the whole before us.

The CHAIRMAN (Hon. Mr. Beaubien): Including 1937?

Mr. BIGGAR: Including 1937. That would be Exhibit 91.

Then I have been asked by the Canadian Pacific to lay before the committee a letter from Mr. Flintoft with regard to the questions dealt with by the witnesses last evening. I think perhaps we might leave my reading of the notes, and print that as Exhibit No. 92.

The CHAIRMAN (Hon. Mr. Beaubien): I think so.

(Mr. Biggar read the letter and attached statements.)

Hon. Mr. BLACK: Are those lines agreeably considered for abandonment marked on this plan now? There does not seem to me to be on that map 2,200 or 2,400 miles. I think we ought to have it there for comparative purposes because it is pretty clearly evident by the attitude of both roads that they are not going to make much further advance in co-operation unless there is some compulsion. The committee should at least know by a visual demonstration what there is on which they may come together for consideration.

Hon. Mr. DANDURAND: I understand that Mr. Fairweather is to be examining so that he may cover on the map the matters that were to be examined and considered.

Hon. Mr. BLACK: Are they all shown there? I should be perfectly satisfied if they were.

Hon. Mr. DANDURAND: I do not know.

Mr. BIGGAR: I understand that they are not. I understood they were until a few moments ago.

Hon. Mr. DANDURAND: But you have the list, so that Mr. Fairweather can indicate them on the map?

Mr. BIGGAR: Yes.

Hon. Mr. McRAE: These joint agreements or letters may develop into matters of considerable importance. They are only copies. If Mr. Fairweather accepts them, all right; if not, we should have originals.

Mr. BIGGAR: Undoubtedly.

Hon. Mr. ROBINSON: May I ask about the operating ratios filed as exhibit, which I suppose I will never see, what is the range in 1930 from the highest to the lowest?

Mr. BIGGAR: My recollection is that the lowest is about 63.

The CHAIRMAN (Right Hon. Mr. Graham): That is the American roads?

Mr. BIGGAR: Yes. No, I am wrong. The lowest was the Norfolk and Western, 59.3.

Hon. Mr. ROBINSON: How long a road is that?

Mr. BIGGAR: It does not give that.

Hon. Mr. ROBINSON: It is a coal road.

Mr. BIGGAR: Then there is the Chesapeake & Ohio, at 63; the Union Pacific at 65; the New York, New Haven and Hartford at 67; the Chicago, Burlington and Quincy at 69.

Hon. Mr. ROBINSON: Is that 1930?

Mr. BIGGAR: It is all 1930. There is also 70, 71, three 74's, and 75.

Hon. Mr. ROBINSON: What is the 75?

Mr. BIGGAR: The 75 is the Southern. Then there is a 77, a 78 and a 79. The highest is the Louisville and Nashville, 82.2.

Hon. Mr. HAIG: Are these all American roads?

Mr. BIGGAR: These are all American class-one roads, with a revenue of 75,000,000 or over.

Hon. Mr. SINCLAIR: As well as being an exhibit, that will be printed in the proceedings?

Mr. BIGGAR: Yes.

I have been furnished with a list of eight witnesses who, Mr. Rand tells me, can speak with regard to particular aspects of the Canadian Pacific estimate. They are all in the service of the Canadian National. He has suggested an order in which they should be called, and subject to the committee's approval we shall just call them in that order.

Mr. T. H. COOPER appeared as a witness and took the stand.

By Mr. Biggar:

Q. Mr. Cooper, you are the Comptroller of the Canadian National Railways, is that correct?—A. Yes.

Q. And you have been so for some time?—A. From the first of January.

Q. But you had to do with that kind of thing for some time, I understand?—A. Yes, sir.

Q. And you are going to refer to the question of the difference in the way at the two railways keep their accounts, and other matters in connection with the accounting, are you?—A. That is so.

Q. Have you got a memorandum of the submission that you desire to make to the committee?—A. Yes.

Q. Will you go ahead with that, then?—A. Yes.

Hon. Mr. HAIG: Are there copies for us?

Hon. Mr. McRAE: Was Mr. Cooper with the railway in 1930, and if so, what capacity?

The WITNESS: In 1930 I was Assistant Comptroller.

With the permission of the Committee I propose to deal with the estimated savings under the heading of "Superintendence."

In the net saving of \$64,267,000 in railway operating expenses, shown under Exhibit H on page 422 of the Minutes of the Proceedings, there are included items of Superintendence under the main general accounts comprised in the total operating expense accounts. There is an item of this kind under Maintenance of Way and Structures, another under Maintenance of Equipment, both on page 423, and similar items are found under Traffic, Transportation, and General (two items) shown on pages 424 and 425.

It appears more convenient and perhaps will permit a clearer analysis of the subject, if the figures are brought together in one total, rather than dealt with under separate general headings as shown in the estimate. The reason for this will be evident if it is explained that certain items of expense having a single source are common to more than one account and hence require allocation to the accounts involved. For example, a general superintendent on the Canadian National is directly in charge of activities connected with maintenance of track, maintenance of equipment, and the running of trains or transportation, therefore his salary is divided over those three accounts.

I have prepared a summary statement showing the various items with which I propose to deal. I would like to file this, Mr. Biggar, as an

exhibit, and I would like to give a copy of the exhibit to each member of the Committee, because otherwise it will be rather difficult to follow what I have to say.

(Statement filed and marked Exhibit No. 93.)

The statement shows the superintendence expense figures combined for the two railways, similar to the information shown on pages 424 and 425, and opposite the 1930 figures are shown the corresponding figures for 1937, and by subtracting one from the other there has been shown the amount of the change which has taken place. It will be seen that the expense for Superintendence 1937 compared with 1930, for the Canadian Pacific has been reduced by the sum of \$792,304 or 9.69 per cent, and for the Canadian National the reduction was \$5,414,992 or 31.14 per cent.

I question the soundness of taking the year 1930 as a basis for comparison. If a business is to be sold or reorganized it would be, so far as I know, without precedent to take the accounts and statistics of any single year as a basis for settlement, and the use of any one year is particularly objectionable if it were a year of such abrupt adjustment as was the case in 1930.

In dealing with the situation which confronted the Canadian National Railways, the policy adopted was as outlined in the annual report of the Railway for the year 1930, from which the following is a quotation:—

In adopting remedial measures to meet such considerable reduction in gross revenue, the railway administration was obliged to have a proper regard for the maintenance of the property, its responsibility to the public in the matter of services and its obligations to a large number of old and loyal employees who depended on the railway for their very existence; consequently, whatever policy of retrenchment was adopted necessitated the display of prudence, economy and justice. In effecting economies with respect to any railway operation, the accumulation of deferred maintenance may constitute a serious future liability. Many factors enter into consideration of such a problem which are not always apparent to the layman, and the object sought by the administration was a maximum of present economy without the establishment of executive liabilities for the future.

This policy was commented upon by the *Montreal Star*, April 14, 1930, after the report for the year 1930 had been published. The following is an excerpt from their editorial:—

The problem arose regarding the manner in which expenses could be cut down to meet the fall in receipts. Early in 1930 Sir Henry Thornton announced that every effort would be made by the system to keep its great personnel of 105,000 at least partially employed rather than resort to the drastic step of summarily closing down shops and other works. In other words, where equipment needed repair such repairs would be made instead of filling up the yards in various points in the country with crippled box cars and other equipment. The time was opportune for the closing of shops and the delaying of work, which would only have to be taken up again at some future date when industrial activity revived. Where new work could be judiciously undertaken was begun. The result of this was that tens of thousands of men were enabled to get through the difficult year without having to join the ever swelling ranks of the unemployed, which were providing a national provincial and civic problem. The policy was sane and practical and has resulted in the National Railways' property being maintained in excellent condition, both as respects roadbed, equipment and other facilities.

[Mr. T. H. Cooper.]

By Right Hon. Mr. Meighen:

Q. That is the quotation from the *Montreal Star*?—A. Yes, sir.

Q. What date?—A. April 14, 1931. That was on the publishing of the report for 1930.

Let me examine the reduction in expense which has since taken place on the Canadian National. It has resulted from three main causes; (a) reduced volume of traffic (b) salary deductions, and (c) other measures of economy.

The reduced expense owing to reduced volume of traffic obviously cannot be determined accurately. The members of the committee will appreciate that supervisory expense does not vary so directly with the volume of traffic as in the case of train expense, freight shed expense, etc. The American Railway Engineering Association is authority for the use of 20 per cent as representing the variation due to traffic volume when applied to superintendence under the heading of Maintenance of Way and Structures and for the use of 10 per cent for similar expense under the heading of Maintenance of Equipment. They have not furnished a factor for application to the remaining superintendence expense. In the opinion of our officers the variation is between 10 and 20 per cent, but I have used a figure of 20 per cent to be on the safe side. Then based on the assumption that supervisory expense is affected by variation in the volume of traffic to the extent of 20 per cent, the amount of the reduction in Canadian National supervisory costs 1937 compared with 1930 due to reduced volume of traffic is \$721,863.

The amount of the salary deductions from the Canadian National payrolls in 1937 was \$579,471. This is an actual figure, not an estimate. The salary deductions referred to are those which were progressively diminished between February 1, 1937, and April 1, 1938, when basic rates were restored.

The remainder of the reduced expense on the Canadian National System namely, \$4,113,658 has been brought about through other economy measures. These economies are of the nature referred to in the annual report of the railway for the year 1932. After referring to the severe decline in gross revenues the report stated:—

To meet the situation, economies have been effected through the elimination of unprofitable services, the reduction and reorganization of the supervisory staff, closing of stations and office buildings, laying off a large number of employees, including many previously carried on part-time, and by such other measures as could be made effective without bearing too heavily upon the communities served.

The supervisory payroll of the Canadian National System was considerably reduced during 1932 through the consolidation of operating districts and divisions; by the abolition of a number of positions, and by a general readjustment of salaries, so that the cost of supervision of the Canadian National System is currently at a level approximately 35 per cent below that of 1929.

Summarizing, the cost of superintendence on the Canadian National 1937 compared with 1930 has been reduced by—

(a) Reduction in volume of traffic.....	\$ 721,863
(b) Salary deductions.....	579,471
(c) Economies not dependent upon unification.....	4,113,658
	<hr/>
	\$5,414,992

The Canadian Pacific estimate of savings in superintendence through unification amounts to \$9,864,226 (See Exhibit B).

By Mr. Biggar:

Q. That is the committee's Exhibit No. 93, the whole thing. You are referring now to Exhibit B?—A. Yes. This shows the pages in the exhibit from which the estimated net savings shown in the right-hand column have been taken.

Q. Which are you referring to, A or B?—A. I am referring now to the second of the statements in the exhibit which I submitted. It shows how the amount of \$9,864,000 which the Canadian Pacific had in their estimate was built up.

Q. This is just taking the figures out of those schedules in Exhibit No. 49—A. Yes. This estimate obviously takes advantage of the higher supervisory costs on the Canadian National in 1930, and in claiming as a product of unification economies which were open to the Canadian National management to take, and which were in the process of being made effective, I feel the Canadian Pacific estimate improperly includes all the economies which were possible as if they were dependent upon unification. Economies of \$4,113,658 were made by the Canadian National management under separate operation quite apart from unification, and they should be deducted from the total savings claimed for unification. They did not depend in any sense upon application of Canadian Pacific standards or methods. On the Canadian National, as has been shown, these economies amounted to \$4,113,658. What the Canadian Pacific may have attained in this direction I do not know.

It may be said that even allowing for what has been accomplished the Canadian National costs are still relatively higher than they are on the Canadian Pacific when measured on a road mile basis, and as this suggests greater efficiency on the Canadian Pacific it is important that the matter be examined. It is evident there are differences in accounting allocations; the Canadian National mileage in the United States is an important factor; and there are differences in the development of the two systems, in their standards of construction and form of organization.

I agree with the evidence of the C.P.R. witness that two accountants will not make identical interpretations of the same regulations.

By Hon. Mr. Cote:

Q. You say the combined reduction of \$6,000,000 odd was obtained by internal economies?—A. They were savings which were not dependent upon unification.

By Hon. Mr. McRae:

Q. Some of those reductions were on account of decrease in business?—A. Yes, some. I gave you a figure of reductions due to decrease in business of \$721,000. There are also salary deductions of \$579,000, which also were made effective because of falling off in business. So in all there is about \$1,300,000 of economies due to reduced business. In my opinion the remainder of the saving on the Canadian National was not brought about so much by reduced business as by the need of economies.

Q. What would that remainder be?

Mr. BIGGAR: \$4,113,000.

By Hon. Mr. Cote:

Q. You have an item for clerks in 1933 at \$4,000,000; in 1934 it was down to \$3,000,000, if I remember the figures correctly, and it is still around \$3,000,000.

—A. Yes.

Q. There is \$1,000,000 there.—A. In 1930 it was \$17,274,000, and in 1937 \$13,005,000.

[Mr. T. H. Cooper.]

By Mr. Biggar:

Q. That is on D of your statement?—A. On C.

Hon. Mr. HAIG: Mr. Chairman, I have been one of the worst offenders, but I think if we let the witness finish his story and then examine him we would make far more progress.

The WITNESS: I would very much prefer to do that, Senator, if I may.

Hon. Mr. HAIG: As I say, I have been one of the worst offenders, but I still think we should make far more progress that way.

Hon. Mr. McRAE: You have learned by observation.

The CHAIRMAN (Right Hon. Mr. Graham): We all have the habit of asking a witness for a certain figure and before he finds it we give him another figure which may not be correct and base questions on it.

Hon. Mr. McRAE: Mr. Chairman, might I clear up this one point.

By Hon. Mr. McRae:

Q. We will say, Mr. Cooper, that the net figure is around \$4,000,000, and the combined saving by the Canadian Pacific showing is \$6,227,000. Then would you say \$4,000,000 of that has already been accomplished?—A. On the Canadian National?

Q. On the Canadian National.—A. Yes.

Q. That is the point. Those are round figures.

Hon. Mr. HORSEY: That is partly due to laying off employees who were kept on during the depression.

Hon. Mr. McRAE: No; pardon me.

Hon. Mr. DANDURAND: Now we have a discussion going on.

By Hon. Mr. McRae:

Q. If I may amplify my statement. The reduction of \$4,000,000 is due to decrease in business?—A. Other than decrease in business.

Q. Other than decrease in business?—A. Yes.

Q. We ought to take in the decrease in business.

Mr. BIGGAR: It is the difference between the \$4,113,000 and the \$5,000,000.

By Hon. Mr. Haig:

Q. Go on.—A. I submit a statement representative of the total payroll pertaining to supervisory employees, which is Exhibit C.

By Hon. Mr. Dandurand:

Q. What are we on?—A. The third statement.

Mr. BIGGAR: The third sheet.

By Hon. Mr. Gordon:

Q. Is that "C"?—A. Yes. This statement shows the number of employees, their compensation and average salary in Divisions 1 to 8 for the Canadian Pacific and Canadian National in 1930 and 1937. The Canadian Pacific figures are taken from their reports to the Dominion Bureau of Statistics, and the Canadian National figures for Canadian lines employees are taken from the report to the same Bureau, to which have been added the figures for employees on Canadian National United States lines, compiled on a basis uniform with the figures reported to the Bureau for Canadian lines. As indicative of the extent to which the supervisory expense accounts are controlled by the amount of compensation paid to employees under Divisions 1 to 8, I may say that on the Canadian National in 1937, of the supervisory expense

account 90 per cent represents the compensation of employees in Division 1 to 8. This statement also shows the total payroll of the two railways and the percentage which the compensation of the employees in Divisions 1 to 8 bears to the total payroll. It will be noted that whereas in 1930 the percentage for the Canadian National was higher than that for the Canadian Pacific, in 1937 it was slightly less. This indicates the Canadian National now has the same relative supervisory payroll expenses to total payroll expense as the Canadian Pacific.

Mr. George H. Parker, Transportation Analyst, was engaged by the Duluth Commission in 1931 to analyse and report on, amongst other matters, a comparison of the operating efficiency of the Canadian National and the Canadian Pacific. In an article written by him, appearing in the *Winnipeg Free Press* August 3, 1935, he had this to say regarding supervisory costs on the two railways:—

Presumably, the differences in the cost of supervision shown are without other significance than that each road suited its supervisory activities to the particular problems with which each was confronted with resulting differences in such expenses. There may, of course, have been differences in classifying the pay of certain officers, and the expense of their offices. Even in the United States, where such practices are pretty well standardized through the uniform accounting systems prescribed by the Interstate Commerce Commission, with the accounts of the carriers checked periodically by the examiners of that commission such things happen. How much greater was the possibility thereof in Canada, where no such standardization exists, as was pointed out in the reports of this writer to the royal commission.

May I point out on Exhibit "C," which shows the average salary paid to the various classes of supervisory officers, that the average official salary on the Canadian National is less than on the Canadian Pacific.

The Canadian National operated road mileage includes 1,878 miles in the United States. Operating conditions are different and rates of pay generally are higher in the United States than in Canada. Unification would not change that situation.

I do not believe it would be practical to move the headquarters of the Grand Trunk Western from Detroit to Toronto or Montreal as suggested. We have numerous interchange points with foreign lines, including very important joint facility arrangements at Chicago and Detroit and with the Pennsylvania Railroad for the operation of the car ferry services across Lake Michigan, the administration of which is by law confined to officers resident in the United States. The removal of headquarters from Detroit unquestionably would be a distinct handicap to the National System in securing the large volume of traffic interchanged with the Grand Trunk Western originating at and destined to points in the United States. I showed this statement to our General Freight Traffic Manager, and he said, "You are too mild; you should say it would be definitely fatal."

A legal staff must be maintained at regional headquarters. In 1925 an attempt was made to move the Accounting Department from Detroit to Montreal but for traffic and other reasons the proposal was abandoned.

Superintendence costs on the Canadian National Canadian lines in 1930 were \$669 per mile of road; on the Canadian National United States lines they were \$1,515. The unification proposals, as I understand them, contemplate transferring traffic interchanged between the Canadian Pacific and the Michigan Central over to the Grand Trunk Western lines, and this might reasonably be expected to increase, rather than diminish, supervisory costs. The unification proposals also contemplate handling additional traffic over our line to Portland

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I think, therefore, in considering the relative supervisory costs of the Canadian National with the Canadian Pacific due notice must be taken of the situation on the Canadian National mileage operated in the United States.

I believe if due allowance is made for differences in accounting allocations and for the United States lines situation it will be found the supervisory costs per mile on the Canadian National in Canada are less than on the Canadian Pacific.

There are other differing operating conditions in Canada to be taken into account which will be referred to by our operating officers. The numerous companies constituting the Canadian National Railways System, requiring separate accounting and reporting, add something to the expense of administration.

Supervisory expanses on the Canadian National are, to some extent, affected by the division of the property into operating regions. I have in mind the policy adopted at the time of consolidation in 1923 when regional headquarters were established at Moncton, Toronto, Winnipeg and Detroit, with general headquarters at Montreal. Supervisory costs on the Canadian National are necessarily related to the managerial policy then adopted.

The Canadian Pacific supervisory costs per mile of road in 1930 were \$498. The Canadian National System costs were \$735. It was by assuming Canadian Pacific standards and unit costs could be applied to the Canadian National System that the Canadian Pacific officials arrive at their estimated savings under unification. I have pointed out some of their misconceptions of the problem. They should have made allowance for economies other than by way of unification, for Canadian National operations in the United States, for possible variations in accounting allocations, and for other factors I have referred to. It is my belief that taking these things into consideration the Canadian National supervisory costs per mile of road in Canada do not exceed those of the Canadian Pacific.

The Canadian Pacific supervisory costs per mile of road in 1937 were \$429. The Canadian National System costs were \$11,972,331. Deducting costs on our United States lines, \$2,067,959, produces a figure for Canadian lines of \$9,904,372, equal to \$452 per road mile, an excess over the C.P.R. of \$23 per mile. The excess (21,894 miles x \$23) is approximately \$500,000. I believe the accounting allocations and the other matters to which I have referred would account for all of this excess and it is on this assumption that I base my opinion that Canadian National supervisory costs per mile in Canada compare favourably with those of the Canadian Pacific.

In the estimate based on 1930 figures the Canadian National is shown to have had an excess cost per mile of \$237, which, multiplied by system mileage, represents \$5,600,000. Because their estimate is based on the assumption that there was an economy to be had by substituting Canadian Pacific costs for those of the Canadian National, and it has been found the Canadian National costs per mile now compare favourably with those of the Canadian Pacific, I believe their estimate of \$9,864,226 should be reduced by \$5,600,000. With regard to the remainder of the estimated savings, approximately \$4,000,000, this depends entirely upon what would be done in carrying out the unification plan. The committee will no doubt be able to form their own opinion as to the practicability of this from the evidence put before you by other officers.

I would now, if I may—

By Right Hon. Mr. Meighen:

Q. Before you do, assuming that your marshalling of the figures is right, and cannot be answered, should not your supervisory costs per mile be much less than those of the C.P.R.? Your traffic per mile is very much less; your business per mile is very much less.—A. Well, on that, sir, I might refer to the method adopted by the Canadian Pacific Railway officials themselves.

Q. It is not a matter of method, it is a matter of principle?—A. In dealing with the superintendence expense for maintenance of way, according to Exhibit No. 57, page 835, they have considered that Canadian Pacific unit costs should be extended to the combined systems on a road mile basis. In dealing with supervisory costs under the heading of maintenance of equipment—

Q. They have done that, I know. But you have not answered my question. That does not say your supervisory costs per mile can be justified because theirs are the same, for their traffic density per mile must be a very substantial percentage over yours. Surely it does not cost as much to supervise an empty line as a busy one.—A. No, sir, I do not think it does.

I would like then to refer to Exhibit "D."

By Mr. Biggar:

Q. Qes?—A. This statement was prepared to show the expenses for 1930 in accordance with Exhibit "H," together with the corresponding figures for 1937.

By Hon. Mr. Haig:

Q. Do not go so fast. Did you say Exhibit "H"?—A. Exhibit "H", yes.

By the Chairman (Hon. Mr. Beaubien):

Q. What page are you referring to of your papers?—A. Exhibit "D".

By Hon. Mr. Sinclair:

Q. Exhibit "H" is at page 422.—A. On page 423 you have the maintenance of way figures for 1930, which have been copied on this statement.

By Mr. Biggar:

Q. That is in the first six columns?—A. Yes.

Q. The first nine columns.

By Hon. Mr. Haig:

Q. What page?

By Mr. Biggar:

Q. What is the page of the Proceedings?—A. Page 423.

Q. All that you are remarking now is that on this Exhibit D, which forms part of our Exhibit 93, the figures have been quoted from those pages of the proceedings?—A. So far as the 1930 figures are concerned. And I have added the 1937 figures to show what has happened in the interval. If the members of the committee will turn to the second page of D and look at the totals in the third column, they will find a decrease in the operating expenses of the Canadian Pacific, 1937 compared with 1930.

Q. That is at the bottom of the page?—A. Yes. It amounts to \$29,617,476. Then the other three columns are the corresponding figures for the Canadian National, showing a decrease of \$47,499,165. And for the combined systems there has been a decrease in the period of \$77,802,717. That might be compared with the estimated savings of \$64,000,000 referred to in Exhibit H.

Q. But that is on the basis of an entirely different traffic level, is it not?—A. Yes, quite.

Q. Then it is not really comparable with the \$64,000,000?—A. No; I am not suggesting it is.

Q. I thought you had.—A. No, I did not intend to convey that thought. The \$64,000,000 was estimated savings by way of unification. The \$77,000,000 are actual reductions made in the operating expenses of the two railways during

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the period. On the third page of D are shown the passenger train and car miles and freight train and car miles for the two years. In the final columns showing the decrease for 1937 as compared with 1930, it will be noted that in the period passenger train miles were reduced by 12,837,985; car miles were reduced by 88,340,927; freight train miles were reduced by 6,380,848; and freight car miles were reduced by 151,498,295. It does suggest to my mind that at any rate the opportunity for economy has been substantially shrunk.

Now, if I may, I would like to refer to the question of comparability of the accounts. It has some bearing on the Canadian Pacific unit costs in relation to the Canadian National.

Q. This is another subject altogether?—A. Yes.

Q. I wonder if it would be well to discuss those figures before you go on to another subject. Would it be more convenient to do it now or later?—A. Just whatever is the wish of the committee.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Cooper, superintendence, I suppose, is most important to keep down costs in the operation of a railway?—A. Yes, sir. And I would think in a period of depression, when the need for economy is urgent, that there would be some prudence in not reducing your supervisory costs too drastically.

Q. Generally speaking, in ordinary times and times of depression do you think that your system of supervision is very important, in your railway as in any other railway, to maintain costs?—A. Oh, very definitely, sir.

Q. And therefore I suppose the management of a railway would be very prudent in reducing the efficiency of supervision?—A. Yes, sir, in my view.

Q. And if it did that, the rest of the cost might increase very rapidly?—A. It probably would; I would say, undoubtedly would.

Q. And therefore—I do not know whether my conclusion is right—a railway that is well managed must have a very efficient supervision, is that right?—A. Yes. And of course it must have some regard to its financial showing. I doubt whether the Canadian National in deciding precisely what supervisory cost it would ordinarily have could overlook the fact that there is the strongest need to reduce the deficit of the railway in every possible direction.

Hon. Mr. HAIG: Especially this year.

By the Chairman (Hon. Mr. Beaubien):

Q. I am not criticizing your road at all. I just want to get down to the principle of the thing. There would be for a very efficiently managed railway a danger in reducing too much supervision?—A. I think you are quite right, sir.

Q. And therefore by applying economy I suppose the management of a railway would be more prudent in reducing supervision than any other department, is that right?—A. Probably, yes.

By Hon. Mr. Cote:

Q. Mr. Cooper, I want to refer again to the first page of your Exhibit 93, page A. You have given the index as 100, for the Canadian Pacific, for the total cost of superintendence for 1937, but you have given an index of 162.2 for the Canadian National, which of course is a vast improvement on 1930, as indicated on the sheet?—A. Yes.

Q. The respective mileages of the Canadian Pacific and the Canadian National do not show that disparity in the index. The index in the mileage of the Canadian National as compared with the Canadian Pacific would not be more than 135?—A. 137.

Q. Well, I was not very far out. I made the calculation myself. Why should your index for supervision be 162? Why should it be over 137? Is it on account of the American lines?—A. Primarily, yes.

Q. And that eats up the difference?—A. Not entirely. I referred to possible differences in accounting allocations.

Q. You mean book-keeping?—A. Yes, accounting, and the difference in the development of our system in comparison with that of the Canadian Pacific; and the style of organization which we have, which calls for regional headquarters.

Q. A relatively more expensive set-up?—A. Those factors all together, I estimate, would account for the \$500,000, which is due to the difference in the costs per mile in Canada in 1937.

Q. So you do not see any possibility of reducing that 162 by internal economy?—A. I do not think the opportunity for economy in supervisory costs in the Canadian National to-day is very great. I think it has been very, very drastic indeed.

By Hon. Mr. Murdock:

Q. Mr. Cooper, would you look at the first line of page C of your Exhibit 93, the first group there, specified as Executives and General Officers and Assistants, and tell us why in 1930 there were 49 fewer executives and general officers and assistants on the Canadian National than on the Canadian Pacific? It indicates that there were 328 executives and general officers and assistants on the Canadian Pacific receiving an average compensation of \$6,534 per year, while on the Canadian National there were only 279 similar employees—

An Hon. SENATOR: No. 476.

Hon. Mr. MURDOCK: Yes; I got them mixed up.

By Hon. Mr. McRae:

Q. According to this sheet C your compensation to the executives and division officers seems to be fairly consistent with regard to both lines, but I notice there is a considerable disparity as to the last item, that is item 8. How is it that the Canadian National pays an average of \$904 for watchmen, janitors and cleaners, when the Canadian Pacific pays only \$513? How do you account for that difference?—A. It is difficult for me to give a complete explanation. On the Canadian National, if we have a caretaker on part time, we may pay him \$25 a month. We do not count these men as regular employees. Now, possibly the Canadian Pacific would; I do not know. Say we close a station, and we put a caretaker in charge and we pay him \$25 a month for just keeping his eye on the place. We do not consider these as regular employees.

Q. The numbers would seem to bear out your explanation.—A. I am only assuming, because I do not know just what the Canadian Pacific does.

By Hon. Mr. Horsey:

Q. Are they temporary employees?—A. No, sir; they are permanent employees who have been laid off and possibly given the opportunity to take this part-time work rather than get nothing at all.

By Hon. Mr. Robinson:

Q. If they were included that would reduce the average very materially?—A. Yes, sir.

By Hon. Mr. Haig:

Q. There is one thing about this report that I should like explained. In 1930, according to page A of Exhibit 93, the superintendence expense for the Canadian Pacific was \$8,173,680, as compared with \$17,387,323 for the Canadian National. The Canadian Pacific expense went down in 1937 by practically \$800,000, while yours went down \$5,414,000?—A. Yes.

[Mr. T. H. Cooper.]

Q. Why that difference?—A. I explained that, Senator, possibly not to your satisfaction. In 1930 the fact was the Canadian National policy did not put into force so quickly economies in supervisory costs as did the Canadian Pacific. We were carrying on pretty well under the 1928-29 levels of traffic. The prolongation of the depression was not then suspected, and it was not for some little time that the urgency of economy—

Q. When did you make the drastic reductions?—A. In 1931-32.

Q. Was there any change of the management during that period?—A. No, sir.

Q. No change of direction or anything else?—A. No. I think the change in direction was in 1930.

Hon. Mr. MORAUD: 1931.

By Hon. Mr. Haig:

Q. I thought that had something to do with it.—A. I think it was the urgent need of economy.

Q. Under the urge of new directors?—A. The new directors had a new situation to meet.

Q. Don't you think that had something to do with it?

Hon. Mr. DANDURAND: And perhaps the strong protest of the Senate of Canada.

By Hon. Mr. Haig:

Q. Probably. I am going to ask you, Mr. Cooper, the same question as I have asked the other men. Do you know of any further savings in any department which you supervised which could be made in the Canadian National System now that are not being made?—A. I have reduced the staff from the first of the year, due to the falling off of traffic. I will say this to the committee, on August 1st an appointment will be made in my department—I have taken one of our senior officers and have relieved him of routine work. I have given him two capable assistants, and his function will be to search out any way possible whereby we can simplify our accounting methods and reduce our accounting costs. I do not know of any railway that has done that one thing, but it is very much in my mind that the officers of the railway—I am speaking now of my own department—are so loaded down with routine work that we have not an opportunity of spending the time necessary to go down into some of the detail methods that have grown up over a period of time. That is my purpose. It has been approved by our board of directors, and I am hoping that as a result of that move we may be able to reduce our accounting costs, but I do not anticipate any serious reduction. Our accounting costs have been very drastically reduced. I think that as between 1930 and 1937 the reduction would be between 30 and 40 per cent. I say this, that the salary of the position I occupy has been reduced by 40 per cent between 1930 and 1937. That has nothing to do with the temporary reductions which were in effect in 1937. A permanent reduction in the rate of pay for that position has been made. That is fairly representative of what has been done on the Canadian National Railways.

Q. If you discovered by your committee that economies would be made, you think there would be no resistance to them from any higher officers in your organization?—A. Not resistance. I think the operating department might question the economy to the railway as a whole; that is to say, I might show a reduction in accounting costs, but they might point out that it would cripple the operating superintendents by a lack of knowledge of what was going on in their divisions, and the management would have to decide whether accounting economy as balanced against lack of knowledge necessary for the operation of a division was worth while.

Q. What is the history of your life? I do not mean your private history but in connection with the Canadian National Railway System. When did you start in there?—A. I started with the Grand Trunk in 1912 and continued with it until 1922. In 1922, when it had been decided that the Canadian Northern, the Grand Trunk and Grand Trunk Pacific and the Government railways should be amalgamated, Major Bell, who was then Deputy Minister of Railways, took me out of the Grand Trunk organization and assigned me to the special duty of considering uniform accounting methods, because the methods on the four railways were different, and giving consideration to the form of an accounting organization that the amalgamated company should have. That was my special function until the amalgamation became effective. When the amalgamation was made effective Major Bell was the Vice-President of Finance, and I was appointed assistant to the Vice-President. But Major Bell later went back to the Department as Deputy Minister—he really never relinquished that position—he held the two posts—and then I went back to the accounting department as general auditor. As general auditor I had charge of all the accounting system at headquarters, including the subsidiary companies. In 1930 I was made assistant comptroller. In 1934 when the board of trustees was appointed I was transferred from the accounting department to the office of the Chairman of the Board of Trustees, Judge Fullerton, and for a period of two years I acted as his assistant. Then when his term of office expired I went back to the accounting department as assistant comptroller.

Q. Do you hold a C.A. degree?—A. No, sir.

Q. Thank you very much.

By Hon. Mr. Cote:

Q. Mr. Cooper, I ask you to free your mind of what the C.P.R. officials have said for the purpose of this question. Do you know what in 1937 the total cost of the superintendence of the C.P.R. was and what the total cost of the Canadian National Railways was, and have you considered the question constructively as to what savings could be made in your own opinion, if unification took place, with respect to the superintendence of the two railways?—A. I have given it some consideration, but I have no opinion to express on that for this reason: my opinion would not be worth anything. It would be useless for me to speculate on the supervisory organization that the mechanical department or the engineering department or the traffic department or the transportation department should have. I think that is something which the heads of those departments would have to deal with, and personally I would say I am incompetent to pass an opinion on that.

By Mr. Biggar:

Q. That is really the point I was going to call your attention to, Mr. Cooper. You have not made a study, I gather, of unification so far even if your own branch is concerned?—A. Yes, I have thought of it as applicable to the accounting department. I think there would be some saving.

Q. I gather you arrived at your reduction of the \$9,864,226 on sheet B of Exhibit No. 93 by deducting \$4,113,000, or something of that kind, and the balance was all that now could be saved by unification.—A. I reduced the \$9,800,000 by \$5,600,000 and said that approximately \$4,000,000 was the field.

Q. That is what I wanted to get at. I could not follow exactly how you got at that.—A. I pointed out that in 1937 there was a difference in the supervisory costs of about \$23—

Q. I do not want you to go over all the details again. I made a note of some figures. I thought you said in the first place there was a reduction by reason of the drop in traffic of \$721,000?—A. Yes.

[Mr. T. H. Cooper.]

Q. And then there was a drop of \$579,000 by reason of the reduction of the annual remuneration, quite independently of anything else?—A. Yes.

Q. Cuts in pay?—A. Yes, temporary cuts in pay; not permanent cuts in pay.

Q. Then you got the figure of \$4,113,000 that was attributable to other causes that had nothing to do with the depression or decrease of traffic?—A. Yes.

Q. Now, what relation have those figures to the \$9,864,000 shown in the Canadian Pacific estimate of savings?—A. That was intended to show that their estimate—

Q. I say what is the relation of that group of figures, \$721,000, \$579,000, and \$4,113,000— —A. They amounted to \$5,400,000—

Q. What relation has that sum to the \$9,864,000 on sheet B?—A. You mean is a percentage?

Q. No. What is the relation of it so far as savings are concerned?—A. To the extent that those savings were made by the separate management they could not be classed as unification savings.

Q. Why could not the \$4,113,000 be classified as unification savings in an estimate made with respect to 1930?—A. Because it was a saving that was open to the Canadian National management to make, and which they did make, part altogether—

Q. Is that quite fair, Mr. Cooper?—A. Let me continue, please.

Q. Yes.—A. That was a saving which the Canadian National management made without unification.

Q. I know it is.—A. Therefore I do not see how it can be classed as a unification saving.

Q. But was it not proper for outsiders, looking at what could be done in respect of 1930 by unification, to assume the Canadian National was not being properly and efficiently run in 1930?—A. I do not think so, sir. These reductions were in process of being effected in 1932 when this estimate was being made, and the Canadian Pacific knew such economies were being made, and then they claimed these economies were unification savings, I do not think they properly stated the case.

Q. I see. It was proper for them to assume they could be made, but not proper for them to assume it was necessary to have unification to make them?—A. That is correct.

Q. That is a neat distinction.

Hon. Mr. McRAE: Mr. Chairman, we have been trying to pull this thing down to 1937. The savings shown in this statement in the interval amounting to \$4,000,000 or \$5,000,000 have been effected and are applicable to 1937. They are no longer a part of the savings of unification, because they have already been accomplished. I think that is very illuminating and helpful in bringing this issue down to date. Seven years ago is a long time. I think it is a perfectly fair comment.

Hon. Mr. DANDURAND: The statement as a matter of fact declares that the basis of 1930 was a wrong one.

Hon. Mr. McRAE: We all know that.

Hon. Mr. HORSEY: And the Canadian Pacific knew it was a wrong one when they made it.

Hon. Mr. McRAE: They could support it in 1930, but in the intervals economies approaching \$5,000,000 have been effected and can no longer be regarded as a part of the savings of unification. That is the sum total of this matter. It is what this committee has been struggling to get. What prevailed in 1930 is not necessarily applicable to unification in 1937 or 1938.

Hon. Mr. HAIG: But with respect to Sir Edward Beatty, you suggested that \$75,000,000 could be saved, and he said, "Yes, I did say \$75,000,000 could

be saved, and here is how I said that could be saved in 1930." In 1930 he said the supervisory costs could be reduced \$9,000,000, and this gentleman proved that to the extent of \$4,500,000 he was right.

Hon. Mr. HORSEY: He also said that in 1932 he knew this saving had already commenced on the Canadian National.

Hon. Mr. DANDURAND: The witness was about to speak.

The WITNESS: In answer to Senator Haig I may say that in my opinion the error Sir Edward Beatty made was to claim the economies as dependent upon unification.

By Hon. Mr. Haig:

Q. I agree, but still the economies could be made.—A. Yes, they have been made.

By Hon. Mr. Cote:

Q. Did he say they were dependent upon unification, or was not the statement simply that if unification took place these savings would be made?—A. I think there is an implication there, at any rate.

Q. He didn't have anything for internal economies over and above that?

Mr. BIGGAR: Subject to what the committee may say—I do not want to press beyond what the committee thinks desirable—it seems to me there are two quite definite points. One is: Was this estimate that was made by the Canadian Pacific a fair estimate with respect to the year 1930? The second point is: Is it still valid, and if so, how far? Now, the Canadian Pacific witnesses have said that in some respects it was not any longer valid as far as the figures were concerned, but it seems to me fair to point out that the Canadian Pacific in making the estimate could not take any other figures for 1930 than the official figures for that year.

Hon. Mr. ROBINSON: But they went farther, and it was published in newspapers all over Canada time and again, that \$75,000,000 could be saved, and that it was admitted that it could be saved. That is the propaganda that went all over this country.

Mr. BIGGAR: I am only speaking forensically.

Hon. Mr. SINCLAIR: And much later than 1930.

Hon. Mr. ROBINSON: In 1937.

Hon. Mr. GORDON: Mr. Chairman, I suggest that the figures as given prove conclusively the pains which the C.P.R. took at that time to get a proper estimate were justified and correct. Sir Edward Beatty counted all this saving at this time in 1930. Now Mr. Cooper comes and tells us that has been effected. This just shows how carefully and conscientiously the C.P.R. officials were in making their estimate.

By the Chairman (Hon. Mr. Beaubien):

Q. Mr. Cooper, if I understood the evidence, 1930 was taken because it was an average year?

Mr. BIGGAR: It was a complete year.

The CHAIRMAN (Hon. Mr. Beaubien): Apart from that it was considered as being an average year for traffic.

Mr. BIGGAR: No, it has been considered so since. It was the last year for which figures were available.

The CHAIRMAN (Hon. Mr. Beaubien): 1930 was recognized as an average year.

Mr. BIGGAR: No, no.

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By the Chairman (Hon. Mr. Beaubien):

Q. In good times, I suppose, your revenues and expenses will go up, and in bad times they will do down. But don't you think, if it is an average year, it was a very good year to test what the C.P.R. wanted to prove?—A. My answer to that would be that while you may say that from a revenue point of view it represented an average earning year, I do not believe the expenses of that year were average or normal expenses.

Q. No, you have shown that in certain respects. But nothing prevents us after considering what unification would produce for an average year, making the deductions you suggest, and very properly, and arriving at the conclusion of to-day.

Hon. Mr. MURDOCK: Did it not just happen that the Duff Commission earmarked the year 1930 as the year they inquired into, and that we have accepted that since.

Mr. BIGGAR: The Duff Commission was appointed on the 1st of December, 1931, and it worked from then through the first months of 1932. At the time these estimates with regard to savings were made, in the latter part of 1931 and the early months of 1932, the last complete year for which figures were available was 1930, and so far from that year being regarded as an average year it was regarded as the very bottom of the depression, from which everybody expected to be lifted within six months.

Hon. Mr. MORAUD: That is quite right.

The CHAIRMAN (Hon. Mr. Beaubien): But I am talking of to-day.

Mr. BIGGAR: That is a different story.

The CHAIRMAN (Hon. Mr. Beaubien): That is a very practical point. I want to be corrected if I was wrong.

Hon. Mr. CASGRAIN: What was done with the Duff report? Nothing.

By the Chairman (Hon. Mr. Beaubien):

Q. Do I understand that you admit or contradict that on the average 1930 was a good year to take as an average year?

Hon. Mr. MORAUD: No.

The CHAIRMAN (Hon. Mr. Beaubien): Who answered that?

Hon. Mr. MORAUD: I did.

The CHAIRMAN (Hon. Mr. Beaubien): I asked the witness.

By the Chairman (Hon. Mr. Beaubien):

Q. Will you please answer?—A. I think from the point of view of traffic—

Q. That is what I mean.—A. —it was a good year. I remember this, that Sir George Paish said in 1930, when everybody thought conditions were pretty blue, that we would look back on the year 1930 as a good year. And he has proven to be correct.

Hon. Mr. HAIG: I agree with you.

By Hon. Mr. Cote:

Q. It was a bad year in connection with the expenses because the company was paying standard costs.—A. Sir Henry Thornton once said that if his foresight was as good as his hindsight things would have been different.

Hon. Mr. HAIG: By a damn sight.

Some Hon. SENATORS: Oh, oh.

Hon. Mr. GORDON: He would have abandoned some of the lines talked of now before they were constructed.

Hon. Mr. BLACK: I do not think this is going to get us very far. The fact is, as stated by Senator Robinson, that \$75,000,000 was supposed at one time to have been saved according to the C.P.R. figures, and \$56 to \$60 million according to the Canadian National figures. But conditions have changed. As a result of the figures now stated by the witness in the particular branch over which he rules there has already been an economy of more than \$4,000,000. Therefore that is not available. That leaves only another \$4,000,000 that might be available.

The WITNESS: That is the ultimate field. How much of that can be secured I do not know.

By Hon. Mr. Copp:

Q. In other words, it is 50 per cent less now than it was when this estimate was made in 1930?—A. More than 50 per cent.

By Hon. Mr. Robinson:

Q. And I understand that the other saving is an estimate. You do not admit it?—A. No, sir.

Hon. Mr. Dandurand:

Q. Do not admit what?—A. I do not admit that the remaining \$4,000,000 would be saved by unification.

By Hon. Mr. Black:

Q. I thought you did.—A. No. I say there is only \$4,000,000 of an opportunity for savings. How much of that you would secure I do not know.

By Mr. Biggar:

Q. Mr. Cooper, will you turn to page 486 of the Proceedings? I am going to refer you to the second of the figures there, "General officers' pay and expenses," for a normal year, \$350,000 of a saving. That is Mr. Fairweather's estimate of the savings that were possible from consolidation, as he made it in the latter part of 1931. Then I am going to ask you to look at sheet "C" of Exhibit 39 and tell me whether the first group there "Executives and general officers and assistants" would correspond with the other item?—A. No, it would not.

Q. In what way does it differ?—A. Exhibit "C" is the payroll.

Q. It is headed "Employees and their compensation."—A. Yes. That is the payroll. This statement on page 486—

Q. The classification is what I am after. Does that group 1, "Executive and general officers and assistants" correspond in classification with "General officers' pay and expenses" on page 486?—A. I don't know, Mr. Biggar.

Q. Looking at the whole of that page, do you see any other item that ought to be taken into it, or is there any reason for excluding any item on Exhibit "C"?—A. Frankly, believe it or not, I have never examined this estimate, and do not think by looking at it in a casual way like that—

Q. Just cast your eye over it. It seems to me this is the only possible item that could correspond with your items in group 1 on Exhibit "C".—A. It may be so, but I do not think I could say.

Q. Do you see anything else that could possibly be affected or that would effect the correspondence?—A. Why, yes. In group 1, for instance, on Exhibit "C," you might have the vice-president of purchases; but in this statement on page 486 he would be down in No. 5.

Q. I see. You say you have not examined that. It is rather important that we should find out how far that Canadian National estimate is regarded

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by the Canadian National officers as having been justified in 1931. And I will call your attention in that respect to the fact that in your group I you have in 1930 a total of \$3,524,679 compensation to general officers.—A. Yes, Mr. Biggar, I have the figure.

Q. If you will follow for a moment, I will come to the question. That has been reduced in 1937 to \$1,843,946, which leaves a balance of \$1,680,700. If you applied that same proportion as you do to the general figures you would have, roughly speaking, \$800,000 there of possible savings by unification, would you not, on the basis of a little less than 50 per cent of the field being still available?—A. I think that is a hypothetical question on a statement that I have never examined, and I do not think that I should be expected to give an offhand answer on a matter of that sort.

Q. The point I am putting to you is this, that a Canadian National Railways officer in 1931 estimated the savings from consolidation with regard to general officers and their assistants as \$350,000; and applying what you have told us with regard to the field presently, in 1937, open for co-operation, there would still be, notwithstanding a loss of some 55 per cent by reason of internal economies, a possible saving in executives and general officers and assistants of somewhere about \$800,000. And I am calling your attention to that for the purpose of getting your view as to whether that item in the Canadian National estimate of 1931 was not extremely conservative.—A. My answer is that I suggest you ask Mr. Fairweather that question. He prepared that statement, he knows what it includes, he has access to these figures, and he would give you a more correct answer than I could.

Q. You cannot help us at all?—A. No.

By Hon. Mr. Haig:

Q. Can you tell me the number of men or employees of the Canadian National between the ages of 60 and 65 at the present time? Have you any record of that?—A. No, but I think we could get you an approximate figure.

Q. Would you do that for me?—A. Yes. Is that for the system?

Q. Yes, the Canadian system. I do not want the United States.—A. All right, sir.

Hon. Mr. MURDOCK: Get it in the various classes. If it is to be useful it would have to be classified as to train service, and so on.

By Hon. Mr. Black:

Q. I should like to ask you a question, Mr. Cooper, which is perhaps not pertinent to what you have been giving at all. On the basis of the decline of business for the first four months in the year, and assuming that it does not improve, what is going to be the total loss on our roads for the present fiscal year?—A. I could not answer that, sir. I do not know what steps our management will take to reduce expenses proportionately to decrease in gross.

Q. It was \$42,000,000 or thereabouts for the preceding fiscal year.—A. For instance, last night Mr. Kingsland said that on some date in May he laid off 1,235 people.

Q. You could not give me any idea at all?—A. No, sir.

By Mr. Biggar:

Q. I gather that you really cannot tell us anything about unification. You cannot tell us what now would be the prospective savings from unification, even in the audit department?—A. I could give you an idea. I do not have access to the Canadian Pacific figures; I would have to make certain assumptions. But I do not think there is any doubt there would be some reduction in accounting costs; I think it is very obvious. We would not need two Comptrollers,

and the same thing would follow down. I think the reduction would be mostly in the supervisory forces. With large staffs, the work is measured out based on an output per man per month. Some accounting which is now interline would become local, and presumably we would not have the accounting expense of pooling passenger revenues and things of that sort. There would be some reduction in accounting expense.

Q. Have you any idea what the amount would be? Or can you tell that without a study?—A. I would say offhand it might be some \$500,000 to three-quarters of a million.

Q. That would be as near as you could get by a conjecture of the kind that you are now able to make?—A. Yes. To make a dependable estimate you would naturally have to have the figures of the two sides.

By Hon. Mr. McRae:

Q. Mr. Cooper, did you have any part in the preparation of the estimate of \$60,000,000, and the later one of \$56,000,000?—A. None whatever, sir.

By Mr. Biggar:

Q. Can you tell at all how much of these reductions that are in your statement can be regarded as permanent?—A. I think by far the greater proportion of them would be permanent.

Q. You would get on with that amount, notwithstanding an increase in traffic to the 1930 figure?—A. I have given you a figure which represents the reduction in expense due to the decrease in volume of traffic, and I have assumed that that would revert.

Q. But no more than that?—A. It might not go back as far as that, I do not see why it should go higher.

Q. Now, will you go on with your second subject?

By Hon. Mr. Robinson:

Q. Are the methods of your accounting laid down by the Railway Commission, or do you follow the Interstate Commerce Commission methods?—A. Speaking of the Canadian National?

Q. Yes.—A. We follow very closely the methods prescribed by the Interstate Commerce Commission.

Q. They are not laid down, then, by the Railway Commission?—A. No.

Q. One witness told us that the railways had to keep the accounts as they were instructed to do by the Railway Commission.—A. That is true to a large extent. The situation is not very clear, but under the Railway Act railway companies are required to make a return to the Board of Railway Commissioners in a form prescribed by the Board. The Board itself has never laid down any rules and regulations as to how the figures shall be compiled, but Mr. Payne, who was in the Department of Railways, I think in 1915, issued a classification which was substantially that of the Interstate Commerce Commission. He made certain changes which he felt should be made in the application of those rules to Canadian conditions, but generally he just struck out the words "Interstate Commerce Commission" and put on the name of the King's Printer and sent that out to the Canadian railways. But with respect to income accounts and balance sheet accounts, there are really no direct instructions by any Canadian authority as to how accounts shall be kept.

Mr. BIGGAR: As a matter of fact, Senator, I am told by the Bureau of Statistics that this is the position. There is a provision in the Railway Act authorizing the Board of Railway Commissioners to require accounts to be sent in to them. Then there is also a provision in the Statistics Act empowering the Minister to require returns to be made in a particular form. I am told

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that in 1919 when the Railway Act in its present form came into effect the returns actually were made in duplicate to the Railway Commission, and one copy sent on to the Bureau of Statistics; but that since then the returns have been made direct to the Bureau of Statistics on forms that have been approved under the Statistics Act by the Governor in Council, and that that is the way that they come to the Bureau of Statistics, really, under the Statistics Act. I made some inquiries about that.

The CHAIRMAN (Right Hon. Mr. Graham): Do they not follow closely the principles of the Interstate Commerce Commission?

Mr. BIGGAR: I have just been handed this provision of the Statistics Act, section 26 (1):—

Every transportation company shall annually prepare returns in such form as may be prescribed by the Governor in Council with respect to its capital, traffic equipment, working expenditure, and such other information as the Governor in Council may prescribe.

I am advised that forms have been approved under that section.

Hon. Mr. ROBINSON: As I understand it, that follows very closely the Interstate Commerce Commission methods.

The CHAIRMAN (Right Hon. Mr. Graham): I think you will find that is correct.

The WITNESS: The form is somewhat similar, but the point I was making is that there are no regulations directing how the figures which get into that form shall be compiled.

By Hon. Mr. Robinson:

Q. Do you know whether the two railway companies follow the same system of accounting?—A. I know they do not.

By Hon. Mr. Horsey:

Q. They fill out the same form, but they compile figures differently?—A. They do not set up their figures in an identical manner. And if the committee want me to go into that, I will be pleased to do so.

By Mr. Biggar:

Q. You have another subject that you want to deal with?—A. I have three or four, Mr. Biggar.

Q. And it will take some time—A. I could deal with a very short one, if you wish.

Hon. Mr. HAIG: I suggest we adjourn, Mr. Chairman.

At 1 p.m. the committee adjourned until the Senate rises this afternoon.

The committee resumed at 3.30 p.m.

Mr. BIGGAR: Mr. Chairman, I desire to direct the attention of the committee to Exhibit No. 90. I am advised by the Bureau of Statistics that it was intended to be covered by the explanatory letter, which indicates the information which I got from the exhibit is not quite accurate, and that I misapprehended the effect of the note—I think correctly so far as I am concerned. The note was intended to indicate something different from what I took from it. So I am going to have a new statement ready to-morrow.

The CHAIRMAN (Hon. Mr. Beaubien): And substitute it for the present exhibit?

Mr. BIGGAR: Yes. In order to explain what was said this morning this exhibit will have to remain, but I will have a note attached to it by way of explanation.

T. H. COOPER (Examination resumed):

Hon. Mr. ROBINSON: Mr. Chairman, I was asking this morning something about the accounting on the two systems. I wonder if Mr. Cooper can give us any further information with respect to it? He rather intimated to me he might be able to do so.

Hon. Mr. HORSEY: That is the difference in the accounting method of the two systems?

Hon. Mr. ROBINSON: Yes.

By Mr. Biggar:

Q. Mr. Cooper, what was the next subject you intended to take up?—A. I am in your hands, but I could go on with this question of comparability of accounts, if it is satisfactory.

Hon. Mr. ROBINSON: I should like to hear it.

By Mr. Biggar:

Q. All right.—A. I think this question of comparability of accounts has some bearing on Canadian Pacific unit costs in relation to those of the Canadian National, but it has a much more important bearing on the question of net earnings of the two railways. In Exhibit 26, page 77, it is stated that the presentation of accounts therein makes possible direct comparisons between the two major railway systems of Canada. On the next page the operating expenses for the Canadian Pacific Railway Company for the year 1930 are shown to be \$153,750,665. In Exhibit H on page 422 they are shown to be \$146,687,017. Obviously both of these figures cannot be on a directly comparable basis with those of the Canadian National. It is my understanding that the figures shown on page 422 agree with the figures reported by the Canadian Pacific Railway Company and its subsidiaries to the Dominion Bureau of Statistics and are as published by the Bureau in its annual blue book entitled "Statistics of Steam Railways in Canada." The attention of the committee has been more especially directed to the statement appearing on page 422. When the figures for the Canadian National and the Canadian Pacific are set down in parallel columns as appear on page 422 the figures should not be taken at their face value for comparative purposes. Some of the differences are as follows:—

The Canadian National treats its Telegraph Department, both railway and commercial, as a department of the railway, and includes the revenue and expenses in the railway accounts. The Canadian Pacific deals with its commercial service as an outside operation. The effect of this different treatment will be noted by an examination of the maintenance of way and structures accounts appearing on page 423 and in transportation expenses appearing on page 424.

The Canadian National treats its express operations as a department of the railway, including all the revenues and expenses of the department in railway accounts. The Canadian Pacific deals with the Express Department as an outside operation, bringing into its railway revenues the net revenue from express transportation operations and bringing into income account the profits from the money order business, etc. The effect of the different treatment in

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so far as maintenance is concerned is not apparent by an examination of the maintenance of equipment account shown on page 423. Canadian National equipment maintenance account was charged with \$377,606 for express equipment in 1930. The effect on the transportation expense is indicated in the statement appearing on page 424.

The Canadian Pacific include in their traffic expense certain expenses applicable to their ocean steamship operations. This is indicated on the statement appearing on page 424. It is my understanding that a corresponding credit is taken in the Canadian Pacific rail revenue.

Mr. Armstrong drew attention to the fact that, in 1930, \$1,225,000 of expense for rails was excluded by the Canadian Pacific from maintenance expenses and charged to a reserve account. This would not be apparent from an examination of the tables on pages 422 and 423. He also explained that \$2,500,000 for the cost of creosoting ties was excluded from maintenance account. On the Canadian National similar expense was charged to maintenance of way expense. This would not be apparent from an examination of the tables on pages 422 and 423.

The Canadian Pacific report to the Dominion Bureau of Statistics for the year 1930 shows that their operating reserves at the beginning of the year were \$46,672,408 and at the close of the year \$32,521,792, a decrease of \$14,150,616. I am unable to say to what extent Canadian Pacific unit costs which have been used for comparison with Canadian National costs may have been affected by the use of such reserve accounts.

The accounts of the railways are not on a uniform basis with regard to accounting for retirement and replacement of physical assets.

Another matter to which I might refer is that the annual report of the Canadian Pacific Railway Company for the year 1931 states:—

During the year the company continued to aid the unemployment situation by anticipating renewals. The expense in connection therewith will be charged into the company's income accounts at the time the work would ordinarily have been performed.

The annual report for 1932 stated:

The unemployment situation having shown no improvement during the past year, the company continued to lend aid to the extent of anticipating repair work. The expense in connection therewith is being taken into the company's income accounts at the time the work would in ordinary course have been performed.

The annual report for 1933 shows the following item as a charge to profit and loss account:

Balance of unemployment relief expenditures, carried as deferred charges December 31, 1932, \$6,327,616.37.

It will be noted that by this method an expenditure of \$6,327,000, which was in the nature of an operating expense, and which the company on two occasions stated would be charged to income at the proper time, was cleared directly into profit and loss or surplus account.

On the Canadian National the traffic expenses include the expense of the Colonization, Agriculture, and Natural Resources Departments, as shown in Exhibit 60, page 908, whereas on the Canadian Pacific, Colonization and Immigration expenses are excluded from income and profit and loss account and charged against land surplus carried as a separate item on the balance sheet. This is not apparent from an examination of the tables appearing on pages 422 and 424.

Mr. Liddy, testifying at page 894, indicated that certain salaries and expenses of the Canadian Pacific System officers are charged partly to railway

accounts and partly to their non-railway activities, ocean steamship services, hotels, and so forth. On the Canadian National no portion of system officers' salaries is charged outside operations.

The Canadian National charges to operating expenses the full costs incurred by it for pensions. In 1930 the Canadian Pacific pension costs were excluded from operating expenses. This will be noted from the statement appearing at the foot of page 425 of the record.

With some reservation in the matter of operating reserves, while certain adjustments with respect to the items referred to have been made in computing the estimated savings under unification, certainly they have not all been given effect to in the preparation of the statement in Exhibit 26, appearing on page 78. The figures appearing on page 78 in turn have been carried into Exhibit 54, page 829, and I think great care will have to be taken in any use made of the figures in Exhibit 54 which purports to show the relative net income before fixed charges of the two railways during the ten-year period 1927 to 1936.

Both railways operate a Land Department, principally concerned with the administration of land grant lands in Western Canada. The operations of the Canadian National are, of course, not on the same scale as those of the Canadian Pacific. In our Canadian National accounts the transactions of the Land Department are accounted for through income and profit and loss. On the Canadian Pacific the operations of their Land Department are excluded from income and profit and loss and charged directly against land surplus, carried as a separate item on the balance sheet.

I should be sorry if anything I say is considered as questioning the correctness or propriety of the Canadian Pacific accounts. I have no intention to do so, either directly or by inference.

This question of the comparability of the accounts has been given a great deal of consideration in the past. So much so that in 1937 the Minister of Transport appointed a committee of five, of which Mr. Leslie and I are members, to compile classifications by the use of which there shall be uniform accounting for railways under the direct jurisdiction of the Dominion. The committee has not completed its work, but some progress has been made.

Now, in that connection I should like to refer to certain correspondence which I have had with the Dominion Bureau of Statistics regarding the method in which the figures appearing in Exhibit No. 26, on page 77; in Exhibit No. 54, on page 829; and the figures used in Exhibit 81, which was filed here yesterday, and which I have not had a chance to examine, are compiled.

The first letter is as follows:—

MONTREAL, QUE., March 24, 1938.

Mr. G. S. WRONG,
Chief of Transportation Branch,
Dominion Bureau of Statistics,
Ottawa, Ont.

Dear Sir,—Referring to your publication dealing with the accounts, statistics, etc., of the Canadian Pacific Railway for the period 1923 to 1936 inclusive.

On page 4 of this report, referring to the operating results, you make the statement that "this presentation makes possible direct comparison between the two major railway systems of Canada." Also, referring to the principal operating statistics of the system, you indicate that the data are generally comparable with corresponding data for the Canadian National Railways. Will you be good enough to indicate your adjustments, if any, extending beyond those relating to commercial telegraphs, news and express, ocean traffic commissions, and pensions? Will you also please say whether you have made any analysis of the operating

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and accounting practices of the two railways which warrants the statement under authority of your Bureau that direct comparisons are made possible by your presentation?

Yours truly,

This is signed by myself. I received a letter back dated March 26, 1938, reading as follows:—

Referring to your letter of March 24, the statement that the reports on the Canadian National and Canadian Pacific make possible direct comparisons between the two major railways is modified by the statement preceding it, that these data were prepared to be comparable with the data in the Duff report which put these records of the two railways on the same basis as far as possible. If there are any significant differences in the data I would be pleased if you would point them out to me.

Yours very truly,

(Sgd.) G. S. WRONG,

Chief, Transportation and Public Utilities Branch.

I wrote back on April 23, 1938, as follows:—

Please refer to your letter of March 26 in reply to mine of March 24 concerning the data prepared by your Bureau for the Canadian Pacific and the Canadian National Railways.

We are somewhat in the dark as to what adjustments were applied to the figures shown in the Canadian Pacific annual report to your Bureau in order to arrive at the data which is the subject of this letter. It would seem there are differences as follows, for some of which, however, we are unable to state the amount and for which there is no indication that allowances have been made in the figures prepared by you.

Canadian Pacific operating expenses do not include their colonization and immigration expenses which are charged to their land surplus, whereas similar expenses of the Canadian National are included in operating expenses. Your comparison of operating expenses would be further upset by the accounting for property changes; the Canadian National follows retirement accounting, whereas the Canadian Pacific, to a large degree, follows replacement accounting.

The footnote on Table 2 with regard to the revenues denotes that you have taken up the gross of commercial telegraphs and express. In the footnote with regard to the expenses no mention is made as to what has been done with the expenses of these operations. Again as to the years 1932-1935 there is a notation "Revised," which is rather ambiguous in view of your footnote denoting all years have been revised.

Income accounts of the two companies differ in the following respects: the result of Land Department operations is included in Canadian National income figures under Separately Operated Properties, whereas the Canadian Pacific results are taken up in land surplus account maintained separately from railway surplus account. Further, the Canadian National takes up annual surpluses or losses of Separately Operated Stock-controlled Subsidiaries through income accounts, whereas the Canadian Pacific's practice has been, in certain cases, to make provision through Profit and Loss for losses anticipated in connection with advances to such subsidiaries and to take profits into income account on declaration of dividends.

However, of greater importance as affecting a comparison between the two systems are the recognized basic differences because of which, it is submitted, no direct comparison can be made. The major differences are:

(1) "The Canadian Pacific Company has been developed as a single, unified system. The mileage added has been complementary to existing mileage.

The Canadian National Railway, on the other hand, represents for the most part the consolidation of lines that were constructed by private companies and which were, in many respects, competitive systems. Hence there came to be included within the consolidated system extensive track mileages which are duplications. This applies not only to the main line, but to branch lines. In short, while the mileage of the Canadian Pacific has been complementary, the Canadian National system, developed under different conditions, has been handicapped by heavy mileage of non-complementary lines, and the elimination of these duplications has yet to be accomplished." (Report of Royal Commission 1931-2, p. 13.) This disability also follows through to terminal, yard, shop and other facilities.

(2) A large part of what is now Canadian National mileage was built for political and not for economic reasons. Where such factors enter, it is only reasonable to expect a higher level of costs. (Professor J. L. McDougall, Queen's University, in February, 1935, issue of the Canadian Journal of Economics and Political Science.)

(3) The Canadian National, during the period subsequent to 1922, incurred heavy expenditures in order to catch up on deferred maintenance.

(4) No consideration is given to the traffic density of the two systems. The Canadian National has a larger mileage of light traffic lines than the Canadian Pacific.

A mere comparison of the reduction in operating expenses does not differentiate between reduced costs resulting from more efficient operation and reductions made as a measure of economy to meet a difficult financial situation.

Perhaps it would not be out of place to point out that the Interstate Commerce Commission with its comprehensive regulatory powers, which include accounting classifications mandatory upon the carriers under its jurisdiction, publishes statistics of carriers consisting of abstracts of information contained in the annual reports of the carriers submitted under oath, but does not in any way suggest that the figures for individual carriers are comparable.

The steam railway statistics for Canada published by your Bureau are likewise not issued as representing comparative figures, but as a tabulation of information contained in the annual reports of steam railways to the Bureau.

Assuming that the reports of the Canadian Pacific and the Canadian National, which, as in the case of reports to the Interstate Commerce Commission, are rendered to your Bureau under oath, are completed in accordance with the accounting classification issued under authority of the Minister of Railways, it is not clear why the figures contained in these reports should be disregarded in certain respects in an attempt to arrive at a comparison.

However, while the accounting classifications in the United States are mandatory in their application, this is evidently not so in Canada as we know that the Canadian National and Canadian Pacific reports differ in a number of important respects.

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If the Interstate Commerce Commission with its wide powers for policing of the basic accounting figures, as well as for demanding and obtaining uniform figures, does not publish the information contained in reports to them as being comparative, I think that, in the circumstances under which your Bureau obtains similar information, the propriety of the statement made by you that the figures are comparable can be questioned.

In any event, as to the question of comparison it is submitted that even if the figures were uniformly compiled in the accounts and in the reports to your Bureau, the information would only be of partial assistance in an attempt to compare the two railroads. For example, Walter M. W. Splawn, Member of the Interstate Commerce Commission, in *Interstate Commerce Commission Activities 1887-1937*, page 81, says in effect: A complete study of the efficiency of management must utilize, among other things, statistics such as those relating to expenditures for road and equipment repairs, traffic solicitation, purchasing, storckeping, and adjustment of capital investments to traffic.

It is respectfully submitted that a fair comparison of the two systems would require special and extensive studies far beyond what is contained in the reports made by either the Canadian National or the Canadian Pacific.

I do not feel that the modification to which you refer in your letter moderates to the extent to which you think it does your statement that your presentation makes possible direct comparisons between the two major railway systems.

From time to time persons use the figures published by your Bureau in an effort to prove inefficiency on the part of the Canadian National Railways and name the Dominion Bureau of Statistics as the authority for comparability of figures. This relates not only to the pamphlet in question, but also to the *Monthly Statement of Operating Revenues, Expenses and Statistics of Canadian Railways* published by your Bureau. You are well aware that the figures in this publication are not comparable, but those who read your publications are not; the single note which appears with regard to express revenues might well justify the casual reader in assuming that this was the only point on which comparability did not exist. It seems impracticable to append notes as to the differences, even if they were fully known, but in view of the use which is being made of these statistics, I do feel that a general note disclaiming any authority on the part of the Dominion Bureau of Statistics for the comparability of the figures should appear.

I trust that you will give this matter further consideration in the light of the foregoing. ✱

That was signed by myself. I received the following letter in reply, dated April 25, 1938:

DOMINION BUREAU OF STATISTICS
TRANSPORTATION AND PUBLIC UTILITIES BRANCH

OTTAWA, CANADA,
April 25, 1938.

DEAR SIR,—Referring to your letter of April 23rd, file T. 60, I think I appreciate your position and I will keep your points in mind in our future issues of these two particular reports. You undoubtedly realize, however, that if we attempted to point out differences in these two systems it would probably do more harm than good. It is impossible, of course, to have

two railways identical in all their activities and consequently the comparisons of results will have to be modified, the same as comparisons of any other industries.

Yours very truly,

G. S. WRONG,
Chief,

Transportation and Public Utilities Branch.

I wrote him this further letter on April 30:

Mr. G. S. WRONG,
Chief, Transportation and Public Utilities Branch,
Dominion Bureau of Statistics,
Ottawa, Ont.

DEAR SIR,—Please refer to the pamphlet issued by your Bureau showing for the Canadian Pacific Railway revenues and expenses, etc., for the fourteen years 1923-1936.

As indicated by the footnotes therein, adjustments were made to the operating revenues, operating expenses, and income accounts shown in the annual report to your Bureau in order to bring out the figures shown in the pamphlet.

I should be glad to have details of these adjustments, if they can be made available.

That was signed by myself. I received a reply dated May 3, 1938, as follows:

DEAR SIR,—Referring to your file T. 60 of April 30th, the details of the adjustments made in the Canadian Pacific report, 1923-1936, so that the data would be comparable with those prepared by the Duff Commission, are not available.

That was signed by Mr. Wrong.

By Hon. Mr. Haig:

Q. Professor McDougall said that lines were built for political reasons. Would you tell us what lines were so built?—A. I think the National Transcontinental was the line built for political reasons. It was a part of the pact of Confederation.

Q. The National Transcontinental?—A. I mean the Intercolonial. I should have said the Intercolonial.

Hon. Mr. McRAE: You were right the first time.

Hon. Mr. HAIG: I agree with you in the first statement. I am not sure I do in the second.

The CHAIRMAN (Right Hon. Mr. Graham): The Intercolonial was built for political reasons in the larger sense. It was built for national reasons.

The WITNESS: Yes, I think that would be perhaps the better term.

Hon. Mr. HAIG: That is not the sense in which Professor McDougall uses that expression. He said that the difficulty with the Canadian National was that some of the lines were built for political reasons. I want to know what lines were so built. And the witness says the National Transcontinental, and when he starts to think about that he says, "No, the Intercolonial."

Hon. Mr. MURDOCK: He meant the Intercolonial, he says.

Hon. Mr. HAIG: The Intercolonial was built not for political reasons but for national reasons, as the Chairman has said.

Hon. Mr. McRAE: The Canadian Pacific was built for national reasons.

[Mr. T. H. Cooper.]

The WITNESS: Possibly I am wrong in attempting to indicate what Professor McDougall might have had in his mind.

Hon. Mr. HAIG: You quoted him with approval.

Right Hon. Mr. MEIGHEN: He also quoted the *Montreal Star*.

Hon. Mr. HAIG: You are giving approval to his statement, or you would not have quoted him. I should like to know what lines were built for political reasons. If you mean national reasons, the Canadian Pacific would come within that category, and so would the Intercolonial. But does any other?

Hon. Mr. DANDURAND: You would need to define the term "political reasons," if it is not synonymous with "national reasons."

Hon. Mr. HAIG: He used it. I am not putting words in his mouth.

The WITNESS: I construed that as referring to the Intercolonial Railway, and I used it in that sense.

By Hon. Mr. Haig:

Q. Then in what category would you put the Transcontinental from Winnipeg to some place called Québec, or some place down there?—A. Public service.

Q. And what would you call the Grand Trunk Pacific from Jasper to Prince Rupert?—A. I think you are getting me into deep water.

By Mr. Biggar:

Q. I suppose, Mr. Cooper, without a complete reanalysis of all these figures you cannot tell us what the weight of these considerations that you have outlined might be?—A. No, I could not.

Q. Now, you have got another subject that you want to deal with?—A. Yes, sir.

By Right Hon. Mr. Meighen:

Q. Your argument is that there is no way to tell whether your roads are being run efficiently or economically, or not?—A. No, sir.

Q. It is pretty close to that.—A. No, sir. I say you cannot take this statement on page 422 of the record, where the figures for the Canadian Pacific and the Canadian National are put down, and say that those figures are at all comparable.

Q. You might compare your results in recent years, for instance in 1930, with your own results in 1922, say?—A. They are not strictly comparable.

Q. They would not be comparable either?—A. No.

Q. All we can do, then, is throw our hands up?—A. I do not say that.

Q. That is, if you are right.—(No answer.)

The WITNESS: I was asked to examine the estimated saving of \$300,000 which appears as item 7 in Exhibit 49, at page 416 of the record. Exhibit 49, page 416, item 7, shows estimated saving in Colonization, Development and Insurance of \$300,000. Exhibit 67, page 941 shows a division of the \$300,000,—\$200,000 being assigned to Colonization, Immigration and Natural Resources, and \$100,000 being assigned to Insurance.

It appears to me that this item of \$200,000 should be eliminated from the saving estimated under unification. The Immigration and Colonization expenses of the Canadian Pacific heretofore have been treated as ancillary to their land sales and ocean steamship activities. Immigration and Colonization is encouraged with the object of disposing of Canadian Pacific unsold lands and as providing additional business for Canadian Pacific ocean steamship services. At any rate, the expense of the Immigration and Colonization Department has always been excluded from the railway accounts and charged against "Land

Surplus," a separate balance sheet account. The plan of unification, as I understand it, contemplates a merger of railway properties only, and would exclude the ocean steamship services and land department activities. It could not be contemplated that the unified railway would assume the expense of a department intended to promote Canadian Pacific investments not part of the unified property and, therefore, I think this saving has no proper place in the estimated savings claimed to be possible under unification. In any event, the saving claimed of \$200,000 is greater than the entire cost of this department to the Canadian National in 1937, which was \$149,338, so that if the Canadian National department were completely obliterated the saving claimed could not now be secured by unification.

By Hon. Mr. Cote:

Q. What was it in 1930?

Mr. BIGGAR: \$545,110. That was for colonization, immigration, development and natural resources. Of that, \$435,110 was for colonization and immigration.

The WITNESS: Yes. \$435,110, and in 1937 it was down to \$149,338—a reduction in the case of the Canadian National of \$395,000. That reduction is due to the fact that the department was very largely disbanded. We closed offices in Liverpool, Glasgow, Rotterdam, Copenhagen, Oslo, Gothenburg, Moncton and North Bay. As I understand, those offices were closed largely because the present policy of Canada is not to encourage immigration as was the case in 1930.

I come now to insurance. The expense referred to is intended to represent the cost of the administrative staff of the Insurance Departments of the two railways. The administrative expense of the Canadian National Insurance Department in 1930 was \$67,130, not \$124,400 as shown in Exhibit 67. The present day cost is less than \$20,000 per annum and I do not think any further reduction would be prudent. Assuming the Canadian Pacific has not increased its expense over that of 1930, viz., \$50,600, it is obvious the cost of the combined department does not now exceed \$75,000. In other words, all the savings possible have been made, they have been made quite apart from unification, and therefore cannot be classed as unification economies.

By Mr. Biggar:

Q. That completes that point, Mr. Cooper?—A. Yes, sir.

Then I was asked to deal with general expenses which is included in Exhibit H at page 425.

Q. Yes, at the bottom of page 425 the the committee's proceedings. In that exhibit there are savings shown of \$4,289,005. This figure includes salaries and expenses of general officers of \$677,439, and salaries and expenses of clerks and attendants of \$2,668,672, which have been dealt with separately under the heading of Supervisory Expenses. This leaves \$942,000, consisting chiefly of the following, general office supplies and expenses \$480,768, which is the third item on page 425; and legal expenses \$362,937.

For the Canadian National in the interval we have reduced that expense by \$390,000. If you were to project on the same basis as the Canadian Pacific did in their 1930 estimate, their so-called unit costs, over into the Canadian National, the estimated saving now would be \$34,000 instead of \$480,000.

You have a similar situation with respect to law expenses. The Canadian National in the interval has reduced its legal costs by—

[Mr. T. H. Cooper.]

By Hon. Mr. Haig:

Q. From what to what?—A. From \$563,326 to \$327,000. Computing the saving on the basis of the 1937 account, as was done by the Canadian Pacific in their estimate of the 1930 account, the saving to-day would be \$109,000 as compared with \$362,000, which is included in their total savings of \$64,000,000.

By Mr. Biggar:

Q. That covers the ground?—A. Yes.

Hon. Mr. GORDON: Mr. Chairman, yesterday your committee was informed by one of the witnesses that the comptroller—I presume that is Mr. Cooper—would let us know the profit made on the coastal service of British Columbia.

By Hon. Mr. Haig:

Q. Before you answer that question, Mr. Cooper, I should like to put this to you. Have you made a summary of what would be left of the savings in the maximum field? You had this morning a figure of \$9,800,000 odd, and you showed that \$5,400,000 odd had already been accomplished, so that left \$4,000,000 of a field to operate in. Have you made up a figure for the whole picture?—A. No. I could give you a statement with respect to the items which I myself have analysed.

Q. I wish you would do that.—A. I will do that.

Q. Thanks very much.—A. On the Pacific steamship services in 1937 we had a deficit of \$101,020—that is, on the Northern B.C. service; on the Alaska service we had a surplus of \$116,385; on the Queen Charlotte Islands we had a loss of \$25,317; the *Prince Charles* and the *Prince John* in tramp service lost \$6,847; the *Prince Robert*, *Prince Rupert* and the *Prince George* in special cruises made \$2,700. The total of that in 1937 was a loss of \$14,097. The corresponding figure of 1936 was a profit of \$10,305.

By Hon. Mr. Gordon:

Q. What is the result of the whole of your figures there?—A. \$14,097 loss in 1937.

Q. In arriving at that loss what did you write off for depreciation?—A. Not anything.

Q. Nothing?—A. Nothing.

Q. What is the capital investment there?—A. I would have to get that for you.

Q. So that is not the loss at all, that \$14,000?—A. We do not accrue depreciation in our accounts.

Q. That is really a separate business up there in a way, and we were told here yesterday by one of the members of the committee that during 1937 business was so good up there that sometimes it was almost impossible to get transportation space. Notwithstanding that, on the whole thing you figure a loss of \$14,000, with nothing written off for depreciation. What approximately would the capital investment be there? Would it be a few hundred thousands or a million dollars?—A. I can get the information for you during the afternoon.

Q. I think that is very important. I do not know anything about boats, but it seems to me they usually write off 5 per cent depreciation.—A. We do not.

Q. That is the point. I don't think you write depreciation off anything, even on the railroad. But that \$14,000 means nothing at all because the loss must be hundreds of thousands of dollars.—A. Some reference was made this morning—

Q. Before you get through with that, I should like to know this. It is a separate operation out there in a way. Now, the C.N.R. of course advanced all the money for the construction of the boats and everything else. Having done that, surely you would charge them something for the interest on that investment for your own purposes to find out where you stand?—A. As an internal—

Q. Internal or external or anything you like. It seems to me poor business to have these ships running out there making a tremendous loss like that.

—A. The point is we do not accrue depreciation.

Hon. Mr. McRAE: May I clear up that point, Senator Gordon?

By Hon. Mr. McRae:

Q. You show a loss of \$25,000 on the Queen Charlotte Island services, Mr. Cooper?—A. Yes, sir.

Q. If there is one case in Canada where that is a public service and a losing one, that is it. That service has been running there for more than a generation to my knowledge. It never has paid and probably never will, but it is a necessary service. I would say it is one case where the Canadian National is providing a necessary service that is going to be a dead loss, and it is unfair to your steamship business on the Pacific coast to overlook that fact.

Hon. Mr. ROBINSON: I suppose if it was run by a private concern the service would have to be subsidized.

Hon. Mr. McRAE: It would have to be subsidized to the extent of \$25,000 or \$50,000. That is absolutely essential to the community.

Right Hon. Mr. MEIGHEN: Where is that service?

Hon. Mr. McRAE: Between Prince Rupert and Queen Charlotte Island.

By Right Hon. Mr. Meighen:

Q. Tell me, Mr. Cooper, how do you justify not charging depreciation?—A. I was asked this morning, Senator Meighen, under what regulations our accounts are checked—

Q. That is not the point. How as a matter of business do you justify reporting profit and loss on the operation of boats without a charge for depreciation?—A. I should like to continue my answer.

Q. Well, see that it is an answer.—A. This is an instruction issued by the office of the Comptroller of Statistics in 1915, when the accounting classifications which we use in Canada were issued. In it there is this paragraph, No. 1. The principle of depreciation is absolutely eliminated from all accounts. That is what we are going on.

Q. That may be, but that does not say you cannot charge depreciation your books.—A. If you wanted me to make a special statement of the cost of this service, including depreciation, it could be done.

Q. It is misleading to the public to report a loss or profit in respect of the operation of boats and leave out depreciation. You cannot tell us that the Statistics Department prevent you presenting a faithful and honest report of your operations. They have no authority to prevent you doing that. Does the C.P.R. not charge depreciation on its boat operation?—A. I should not care to speak for the C.P.R. accounts. I believe they do.

Q. You speak about them in many other ways.—A. I believe they do.

Q. And that is another respect in which their system of accounting differs from yours?—A. Yes, that is so.

By Hon. Mr. Gordon:

Q. Mr. Cooper, this committee, as I understand, is endeavouring to find out whether the C.N.R. is run as a philanthropic or a business institution. When I find out now that no depreciation has been written off there, or no regard paid to capital investment, it makes me think that the officer, whoever is at the head of the institution, Mr. Hungerford maybe, I do not know, but it does seem to me he is not acting in a business way if he does not want to find out the facts.

[Mr. T. H. Cooper.]

and figures in order to know where the company stands on this boat service. No business institution can get along without that. I am not blaming you for that, but there is someone in the C.N.R. who is not attending to his business.

Hon. Mr. BLACK: The serious part of the lack of depreciation and reserve for anything like ships is that obsolescence in a boat is noticeable every year, and the period of complete obsolescence is approaching very rapidly. Then, if the boat has to be replaced, where is the money coming from to replace it? It must come, of course, from the taxpayers of Canada. We may as well face that, unpleasant though it may be. It will not appear as an additional deficit on any portion of the Canadian National Railway System but will be another capital expenditure. The money must come from somewhere. That is our great difficulty. You are not to blame for it at all, but the committee is going to find out if it can get relief in any way. I may say frankly that I do not want to see amalgamation, I never was in favour of it; but we must if we can get sufficient evidence to convince Parliament, whatever Government may be in power, that something must be done to prevent the everlasting increase of this burden on the people. The replacement of ships is a thing we have to provide for. Where is the money to come from?

Hon. Mr. GORDON: When I find a thing such as this I wonder how the operating profits are arrived at.

The WITNESS: Are you speaking of the railway?

Hon. Mr. GORDON: Yes. Every other institution that I know of does this in the way in which we would like to see it done, and this makes me wonder how the operating profits are arrived at.

Hon. Mr. SINCLAIR: You are speaking of the boats.

Hon. Mr. GORDON: Both.

By the Chairman (Hon. Mr. Beaubien):

Q. Tell me, Mr. Cooper, does your account show any depreciation of your hotels?—A. No, sir.

Q. You have a very large amount in hotels, but there is nothing at all—
—A. We do not accrue depreciation.

Q. In your furniture in the hotels— —A. No, sir. As it requires renewal the cost of renewal is charged to expenses.

Q. But there is no depreciation at all?—A. No, sir.

By Right Hon. Mr. Meighen:

Q. Does the C.P.R. not provide depreciation on its hotels?—A. I believe they have done in the last two years.

Q. But not before that?—A. I do not think so.

By the Chairman (Hon. Mr. Beaubien):

Q. Do you know whether they have depreciation on their boats?—A. I believe they do.

By Mr. Biggar:

Q. With regard to these steamships, are the total operating revenues and total operating expenses carried into the railway account, or just a net into income?—A. Into income.

Q. The net balance between operating revenues and operating expenses?—
A. Yes, sir.

Q. So the net figure you gave us would be carried into the railway's income account?—A. Yes, sir.

Q. It was a debit item of a few tens of thousands.

Hon. Mr. GORDON: Fourteen. Now, I understand you are going to get the information with regard to the capital invested in those boats.

Hon. Mr. McRAE: Mr. Chairman, I think there is entirely too much importance attached to this coastwise shipping in view of the magnitude of the issue we are dealing with. One thing that must not be overlooked to begin with is that these ships are complementary to the railway and are a necessity, and in the 600 or 700 miles of coastal service they are providing a necessary service to a number of industries, some of which are very large ones that contribute very substantially to the revenue of the Federal Government and the province as well. The service is absolutely essential, and it is not any more than is required. I think that should receive recognition.

Right Hon. Mr. MEIGHEN: But that does not affect the matter of proper accounting.

By Mr. Biggar:

Q. Is there any subsidy for the Queen Charlotte Island service?—A. I am told there is a subsidy of \$12,000 a year.

Q. From what department?—A. Trade and Commerce.

Q. Do you know of any return that is made to the Department of Trade and Commerce with regard to that particular service?—A. No.

By Hon. Mr. Black:

Q. The loss, then, so far as Canada is concerned, would be increased by that \$12,000?—A. Yes.

Q. I am not criticising that line to the Island, because it is very much in the nature of the car ferry between Prince Edward Island and the mainland; but the other services, the coastal steamship services were supplied before the S.N.R. went on, and it seems to me that if they are carried on at a loss and private interests are prepared to carry them on anyway, we could probably dispense with them.

Hon. Mr. DANDURAND: We could have asked that question of Mr. Warren, who appeared yesterday and gave figures as to the movements of these boats. I think he mentioned that they were in the red last year, but had not been so for some years prior.

Hon. Mr. GORDON: I asked him, and he said he thought a profit of \$46,000 had been made, but he was not sure of that and said Mr. Cooper would answer. Now Mr. Cooper says it was \$14,000.

Right Hon. Mr. MEIGHEN: Of a loss.

Hon. Mr. BLACK: Plus interest on the capitalization of the boat.

Right Hon. Mr. MEIGHEN: And plus depreciation.

Hon. Mr. MURDOCK: Is not a great deal of depreciation taken care of through expenses?

Right Hon. Mr. MEIGHEN: In ordinary accounting that depreciation is taken care of anyway.

By Hon. Mr. Murdock:

Q. But for the upkeep of the boats, and everything incident thereto, that is charged to expenses?—A. Yes, sir.

By Hon. Mr. Horsey:

Q. The Canadian Pacific does not charge it to expenses?—A. It is not charged to the railway expenses, but to the steamship service.

[Mr. T. H. Cooper.]

By Hon. Mr. Murdock:

Q. But these expenses are part of the ordinary, every day depreciation, are they not?—A. No, they take the day-to-day maintenance, but do not provide for the amortization of capital.

Q. The Chairman, Senator Beaubien, referred to the furnishings and chairs in a hotel, that are short lived. What about similar furnishings on the steamships?—A. That would be renewed as a charge to operating expenses.

Right Hon. Mr. MEIGHEN: But in conducting any business organization, while you keep your property in repair you are not relieved of setting up depreciation, because equipment is continually getting older; and any auditing firm will compel you to set up depreciation in addition to the amortization of capital.

Hon. Mr. MURDOCK: Then should we not take exception to the instructions in that booklet that Mr. Cooper read from, in which it is stated that they should not take into consideration depreciation?

Right Hon. Mr. MEIGHEN: I do not know what the purpose of that is. In any event, they would not have authority to tell the Canadian National that they should not keep proper accounts, and even if they did, you know there has got to be depreciation.

Hon. Mr. HAIG: It does not apply to a railroad line.

Right Hon. Mr. MEIGHEN: They have a different system.

By Hon. Mr. Horsey:

Q. When you are buying new equipment and furniture, do you put that into expenses?—A. Yes.

Hon. Mr. HORSEY: The witness says, Mr. Meighen, that when they buy new equipment and new furniture it is added to expenses.

Right Hon. Mr. MEIGHEN: That is true. I do not doubt it. But with a construction like a boat, no matter how you keep it in repair, it is approaching its death.

Hon. Mr. HAIG: In the Royal Alexander hotel in Winnipeg they are spending \$100,000 on remodelling certain of the rooms and putting in certain bathroom equipment to make it modern. Unless they set aside something for that each year they couldn't do it, and the income tax would not allow you to take the expenditure off.

By Mr. Biggar:

Q. You can let us have that capital figure some time in the course of the afternoon?—A. Yes.

N. B. WALTON, Chief of Transportation, Canadian National Railways, was called as a witness and took the stand.

By Mr. Biggar:

Q. You are the General Superintendent of Transportation?—A. Chief of Transportation.

Q. And you want to address yourself to certain figures connected with transportation rail line?—A. Yes, sir.

Q. Those are the figures at the bottom of page 424, are they not?—A. Yes, sir. They also appear at page 909, which is a reproduction, I believe, of the same figures.

The Canadian Pacific submission of \$75,000,000 possible savings under unification includes an item of \$23,994,376 (page 909 of the Record) as due to reduced transportation costs resulting from line abandonments and the operation of the two systems under a scheme of amalgamation.

Taking this transportation figure roundly at \$24,000,000 and using it to reduce the actual transportation expenses of the Canadian National and Canadian Pacific for the year 1930 would produce a total expense for transportation of \$147,000,000 (omitting the expenses of the Express and Commercial Telegraph Departments from the C.N. figures because there is no comparable figure in the transportation expenses of the Canadian Pacific). The combined gross revenues of the two roads for the same year were \$433,000,000, and the ratio that these reduced total transportation expenses would bear to gross revenue is 33.9 per cent. This is a reduction from 39.5 per cent gauged on actual figures for the combined roads operated separately for 1930.

This reduced ratio is considerably below the transportation ratio that U.S. roads are able to accomplish with their greater density of traffic, lower fuel and material costs and on the whole more favourable weather conditions. For example, in the year 1930 the Pennsylvania Railroad's ratio of transportation expenses to total operating revenues was 36.9 per cent; the roads comprised in the Great Lakes Region 37.5 per cent; and for the roads in the North Western Region 36.2 per cent. Taking into consideration the density of traffic in Canada generally, our climatic conditions, and material prices, in our judgment such transportation ratio as is contemplated through the \$24,000,000 reduction is impossible of attainment unless it be done by a serious deterioration of service on retained lines where there is a reasonable density of traffic, and the entire abandonment of other lines where traffic is thin.

Exhibit No. 62 (page 909) subdivides the Transportation Rail Line Expenses under the headings:—

	Net Saving
Superintendence.. . . .	\$ 1,290,470
Despatching trains.. . . .	551,582
Station service.. . . .	3,470,950
Yard service.. . . .	3,944,466
Train service.. . . .	13,215,549
Other.. . . .	1,521,359
Total.. . . .	\$23,994,376

Using the Canadian Pacific figures as furnished to the Dominion Bureau of Statistics, and subject to what Mr. Cooper has stated as to the non-comparability of accounts in general, these will be dealt with in that order:—

SUPERINTENDENCE—TRANSPORTATION ACCOUNT No. 371

While the amount of \$4,101,523 is shown in Exhibit 62 as charged under this heading on the Canadian National in 1930, this had been reduced to \$2,862,946 in 1937; similarly on the Canadian Pacific the figure of \$2,454,481 for 1930 was reduced to \$1,875,350 in 1937—a decrease as between the two years mentioned of 30.33 per cent on the Canadian National and 23.59 per cent on the Canadian Pacific. It is not known whether similar positions are charged to this account, as such, by the respective railways and lacking this information an exact comparison cannot be made.

As shown in Exhibit No. 62 (page 909) the Canadian Pacific plan calls for a reduction of \$1,290,470, which in view of physical and other conditions existing appears unattainable. For example, the Canadian Pacific plan calls for the abolition of the Superintendent's position, and necessarily his staff, on Prince Edward Island (Exhibit F-a, page 910), which is absolutely impracticable. Winter conditions on Prince Edward Island are extremely difficult and isolated as it is from the main line territory with access by means of a car ferry, the supervision of a Superintendent on the Island is essential for efficient operation of the Island Lines, serving a population of 100,000 people.

[Mr. N. B. Walton.]

The Canadian Pacific plan calls for the elimination of the position of the Superintendent at Levis (Exhibit F-a, page 910) which is presumably predicated in part on the abandonment of the N.T.R. line east from Quebec. The south shore territory covered by the Levis Superintendency is an important one, and of such traffic density that its abolition is impracticable. Our experience on this division, particularly under severe weather conditions has shown that a Superintendent located close to the scene of operations is essential and that the situation cannot be properly handled by remote control. This is so on the assumption of the abandonment proposed; if the abandonment is not gone on with, the necessity for a Superintendency at this point is even greater.

The Canadian Pacific plan calls for the abolition of the St. Thomas Division (Exhibit F-b, page 911). This operating division with its Superintendent and his staff is obligatory under contract arrangements with the Wabash Railway and cannot be abandoned.

These examples serve to illustrate the inaccuracy of the conclusions as to possible reductions of superintendencies on the Canadian National by amalgamation.

Since the data with reference to Canadian National supervisory units were recorded as shown in the record commencing on page 910 a number of Superintendents' Divisions have been withdrawn or placed immediately under the direction of the General Superintendent of the district, thereby eliminating certain Superintendents' positions. At the present time there are on the Canadian National 28 superintendents of road divisions. Taken from the List of Railroad Officials as issued for the 2nd quarter, 1938, by the Railway Equipment Publication Company, the Canadian Pacific have 26 superintendents of road divisions; on the Canadian National 8 terminal superintendents; and on the Canadian Pacific 3 terminal superintendents. The operated mileage of the Canadian National is 23,707 including the Central Vermont and Grand Trunk Western and on the Canadian Pacific 17,222 including the Dominion Atlantic and Quebec Central; therefore the average number of miles per road superintendent on the Canadian National is 846 and on the Canadian Pacific 662; if road division positions and terminal superintendents' positions are combined the average mile per position on the Canadian National is 658 and on Canadian Pacific 594. There are 47 assistant superintendents on the Canadian National and 42 assistant superintendents on the Canadian Pacific, or an average of 504 miles per assistant superintendent on the Canadian National and 410 miles per assistant superintendent on the Canadian Pacific.

DESPATCHING TRAINS—ACCOUNT No. 372

Exhibit "F," commencing on page 910, indicates 452 despatchers' positions in effect on both roads in 1930 (although the total positions listed in Exhibit actually add up to 457). It is proposed that these would be reduced to 365 by amalgamation, in which allowance is made for the abandonment of 5,000 miles of line; amount of net savings for despatching trains is \$551,582, as shown on page 909.

The total of 457 despatchers' positions shown as on both railways in 1930 is made up of 263 Canadian National, 189 Canadian Pacific and 5 N.A.R. Our actual count of despatchers' positions in effect on the Canadian National in September 1930 was 246. One instance of error is that six despatchers are shown on the Canadian National at Smithers, B.C. (page 913), whereas in 1930 there were not at any time a greater number than three despatchers and one additional man working half time as despatcher, located at that point or in charge of the Smithers Division. This indicates the hazard in basing estimates on general information rather than specific data.

Apart from the fact that in 1930 there were fewer despatchers engaged on the Canadian National than indicated by Exhibit "F" it should be noted that in 1937 as compared with 1930 the expense for despatching trains had decreased on the Canadian National by the amount of \$383,612, while on the Canadian Pacific a reduction in similar expense had been made to the extent of \$331,571, or a total for both roads of \$715,183. Making due allowance for deduction from basic rates of pay in effect in 1937 the saving indicated in Exhibit 62, page 909, in amalgamation and line abandonment already has been more than realized by the two roads.

While there is a relation between traffic volume and number of train despatchers necessary to handle traffic efficiently, the staff is not affected directly by ordinary fluctuations; so far as the Canadian National is concerned no increase in despatching staff will be necessary except in the event of a major increase in traffic. For the 1930 level of traffic an increase in despatching staff and expense on the Canadian National would be of a distinctly minor degree. A heavy grain movement on the prairies is taken care of by a temporary increase of despatching staff, usually of a few weeks' duration to protect a sharp but temporary upturn.

STATION SERVICE ACCOUNTS Nos. 373 and 376

On Exhibit "H" (page 915) the total net savings in connection with station service under unification as proposed by the C.P.R. is shown as \$3,470,950 with a notation under this figure, that the reduction amounts to 11 per cent. This net saving is limited to the item in the first line of the Exhibit, viz., \$12,449,302 and represents a reduction of 25.5 per cent therefrom. This is a very high percentage of saving to be expected from unification of station operations.

Of the suggested saving of \$3,470,950, it is to be noted that the amount of \$924,769 is on account of savings at stations on lines proposed to be abandoned under the 5,000 mile line abandonment scheme.

In reviewing the details of savings to be effected at specific stations it is noted that in the estimate submitted by the C.P.R. (page 918) the Canadian National expense in 1930 at Montreal is shown "Station Employees" \$1,358,579, "Station Supplies and Expenses" \$113,400 or a total of \$1,471,979. An actual check of the Canadian National figures for Montreal for the year 1930 shows that the figures as placed in the estimate submitted by the C.P.R. are in error to the extent of \$180,000. One other major point, Winnipeg, was checked. For Winnipeg the C.P.R. submission (page 923) indicates the Canadian National expense for "Station Employees" at \$721,112 and "Station Supplies and Expenses" at \$44,136, a total of \$765,248. This is at variance to the extent of \$167,000 with the actual expenses in 1930.

These two instances again indicate the erroneous conclusions that may grow out of an estimate based on figures which, in themselves, are inaccurate to a considerable degree.

According to the returns made to the Dominion Bureau of Statistics a reduction in "Station Service Expenses" of the two railways combined comparing the year 1937 with the year 1930 is \$6,602,951, whereas in the Canadian Pacific submission (page 909) the net saving contemplated under the heading of "Station Service" is \$3,470,950.

Much of the reduction in station expenses that has been made since 1930 is due to improved methods, and is of a permanent character. An increase in volume of traffic to the 1930 level would not require anything like a proportionate increase in station expenses.

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YARD EXPENSES—ACCOUNTS Nos. 377 to 391 INCLUSIVE

In Exhibit "H" (page 928) is shown proposed reduction in Yard Expenses of 12·2 per cent. A reference to page 934, summarizing four of the yard accounts, also shows this same percentage of saving, but in this latter statement it is quite clear that to arrive at this percentage the costs attached to the unallocated yards at which there is no saving indicated have been added to the yard costs at these points where a saving is shown. Leaving out of the calculation the expenses of the unallocated yards at which no saving is to be made the average of 12·2 per cent saving becomes 23·2 per cent as being the average where saving is indicated.

The Canadian Pacific witness (commencing on page 873), explained how the four major accounts under the headings, "Yardmasters and Yard Clerks," "Yard Conductors and Brakemen," "Yard Enginemen" and "Fuel," were studied and that the percentage of reduction which developed was applied to the balance of the yard items. It was further stated on page 873 by the same witness, that the study was made by the Superintendent in charge of the district. It is stated: "These detailed studies were summarized and the average for all the studies was worked out on the basis of 12·2 per cent and that was applied to these accounts." In looking over Exhibit 59 (page 845), it is noted that the total locomotive miles for the Canadian Pacific and Subsidiaries, the Canadian National Railways and the Northern Alberta Railway, as of 1930 for passenger and freight service aggregated 114,233,805, whereas the revised total for passenger and freight locomotive miles is 100,263,174, a difference of 13,970,631 or 12·2 per cent, and this same reduction was applied to the proposed reduction in yard locomotive miles. This 12·2 per cent coincides with what is stated to have been the result of the study of yard conditions at individual yards across the country.

Actual amount of the saving for various individual yards has been estimated arbitrarily, e.g., Fort William, Winnipeg, Portage and Brandon, shown on page 932, are all 33 per cent. According to the Canadian Pacific evidence (page 873), these estimates were prepared by local Superintendents, who are not common to Fort William and Winnipeg, and yet a similar arbitrary result is arrived at, apparently irrespective of local conditions. Arbitrary savings have also been cited at Weyburn and Saskatoon yards, the percentage being 29 per cent in each case, although stated to be computed by different Superintendents and under conditions entirely different.

In the case of Ottawa (page 929), a straight 10 per cent has been applied as a basis of saving.

At Guelph (page 930), the total Canadian Pacific yard expense is cited at \$24,626, for the Canadian National \$36,834, or a combined total of \$61,460. It is proposed that with the railways operating as a unit the total expense will be exactly the Canadian Pacific costs as shown, viz., \$24,626, the saving to be the entire Canadian National expense, viz., \$36,834: this not only shows that the figure is hardly in the class of an estimate, but is manifestly impossible, to anyone aware of local conditions at Guelph.

Regarding the figure shown in Exhibit "H" (page 929), it will be noted that the Canadian Pacific have estimated the total Canadian National expenses for the year 1930 for "Yardmasters and Yard Clerks," "Yard Conductors and Brakemen," "Yard Enginemen" and "Fuel" at Montreal at \$1,673,471, which is at variance from the actual figures to the extent of \$197,000. Similarly, at Winnipeg (page 932), the Canadian National expenses for these four accounts are estimated by the Canadian Pacific at \$1,016,681, which is in error to the extent of \$162,000 for these four accounts of yard service alone.

While the Canadian National and the Canadian Pacific generally speaking, both have access to the more important centres of commercial activity in Canada, the lines are not comparable when it comes to consideration of yard costs. The

presence in the Canadian National set-up, of the Grand Trunk Western Lines, and the situation at the Niagara Frontier are worthy of notice. The handling of traffic through the Niagara Frontier gateways involves connection with nine railways at Niagara Falls and Buffalo, while interchange of Canadian Pacific traffic to and from the Niagara Frontier is handled by the T. H. & B.—Michigan Central. On Grand Trunk Western Lines we have at South Bend, Battle Creek, Detroit, Pontiac, Jackson, Flint, Lansing, Saginaw, Bay City, Muskegon and Grand Rapids heavy terminal operations because of the loads that are originated at these points, and at Chicago connections are made with some thirty railroads. There is no parallel situation on the Canadian Pacific. The influence of this switching condition is well illustrated in the following comparison. The figures are stated in the ratio of total road train miles to switching miles:—

Western Region..	7 to 1
Atlantic Region..	6 to 1
Central Region..	4.5 to 1
Grand Trunk Western	2.2 to 1

It will be noted from this table that the ratio of road miles to switching miles decreases as the industrial development increases, being greatest in the West and least on the Grand Trunk Western; in this connection it should be mentioned that 52 per cent of the Canadian Pacific gross revenue is from their Western Lines as compared with 27 per cent of the Canadian National gross revenue from the C.N. Western Region.

It is worthy of note that in the year 1937, the total revenue loaded cars handled on the Canadian National were 2,310,588, and on the Canadian Pacific 1,269,292, or only slightly over one-half of the Canadian National figure.

The average haul of freight on the Canadian Pacific approximates 20 per cent longer than on the Canadian National and is a potent factor in connection with yard expenses as it represents a proportionately greater amount of terminal work for the Canadian National per loaded car mile.

Industrial switching per car handled is a source of heavy expense, much more so than train yard switching and the greater volume of industrial switching on the Canadian National is shown by the figures reported by the two railways to the Dominion Bureau of Statistics for the year 1937:

Yard Switching Revenue—

Canadian National..	\$2,461,736
Canadian Pacific..	1,514,063

Yard expenses on the Canadian National in the year 1937 as compared with 1930 decreased 25.53 per cent and on the Canadian Pacific 25.49 per cent. In other words decreases in expenses in connection with yard operations were practically parallel on the two roads between these years.

It may be of interest to note that the ratio of yard expenses to total transportation expenses on the Pennsylvania Railroad for the year 1936, the last year for which figures are available, is 23.45 per cent, and for all major roads in the United States 22.12 per cent.

While the ratio of yard expenses to total transportation expenses in 1937 on the Canadian National was 17.61 per cent and on the Canadian Pacific 14.68 per cent, the conditions as outlined in the foregoing invalidate any conclusion drawn from a statistical comparison of the expenses on the Canadian National and the Canadian Pacific in respect to yard operations.

If the basis used by the Canadian Pacific to estimate savings in yard expense was the assumed reduction of passenger and freight locomotive miles of 12.2 per cent, the question is as to the validity of applying such a unit to estimate yard expense without regard to actual operating and physical conditions at the point to be affected. As to this, I can only give my opinion that an

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estimate so made is wholly unreliable. But on the basis put forward in individual instances, in view of the error that runs through the entire factual foundation and the total disregard of the operating and physical conditions at the points considered, there is not, in my opinion, any greater validity given to the estimate.

TRAIN EXPENSES—FREIGHT

In the Canadian Pacific submission, Exhibit "H" (page 935), that portion of the expenses shown under "Train Service" pertaining to freight train operation only, totals \$56,246,348 based on year 1930 for the total combined systems operated separately, while the total of similar items for the systems operated as unit is \$49,966,523—or an indicated saving of \$6,279,825.

In this connection your attention is called to Exhibit "C" (page 418), which outlines five items of proposed reduction of train miles and freight car miles.

Item No. 1—Train Service Abandoned Lines.—This saving is derived in part by reduction of train service through abandonment of lines to the extent of 2,217,148 freight, mixed and other train miles or 41·8 per cent of the total of 5,301,323 train miles making up the five items of the total proposed reduction of freight, mixed and other train miles. The details of this mileage reduction have not been given and we are not able to express an opinion upon the accuracy of the figures submitted. Obviously we are in the dark as to the train miles on the lines of the Canadian Pacific to be abandoned and it would be wholly impossible for us to check the train miles on the proposed Canadian National abandonments within the time that is available to us. So far as we can judge the figures used are wholly speculative.

Item No. 2—Consolidation of Merchandise Traffic.—Of the proposed reduction attributed to "Consolidation of Merchandise Traffic" there is a possibility of showing small savings. Where merchandise (I.C.L.) traffic is moving in the same direction as the normal movement of empty box cars, there is practically no advantage in full utilization of capacity of cars; consequently, the area in which car mileage economies can be produced by heavier loading of merchandise cars is restricted. However, without knowledge of what would finally be done regarding freight shed consolidations or rearrangements, as well as line abandonments, it is impossible to set a definite value on this feature; in any case it would not be a major factor.

Item No. 3—Heavier Loading of Carload Traffic.—This does not in our opinion present any particular field under unification for a decided improvement over and above what is being done by all railways under separate management to secure the heaviest possible loading consistent with increasing car capacities and present commercial practices. Any field which there might be for improvement in this regard under unification would be small unless the situation were carried to an extreme because of the elimination of railway competition, in which event service to the public would be seriously impaired.

Item No. 4—Re-routing of Empty Cars.

Hon. Mr. MURDOCK: Re-routing of American cars.

The WITNESS: Yes.

The Code of Car Service and Pier Diem Rules of the Association of American Railroads, of which practically all American and Canadian railways are members, governs the handling of freight cars interchanged between railways. These rules are the result of many years of study, and provide for car owner being paid for only the approximate cost of ownership when cars are on foreign lines, and for prompt return of cars to the owner, permitting their economical use in the process. The evils of bygone years as referred to by the C.P. witness (pages 680-681) are largely overcome.

Relative to the statement made by the C.P. witness (page 679) regarding re-routing of American cars, it should be pointed out that since 1932 there has been in effect a wide-open reciprocal arrangement between the Canadian National and Canadian Pacific which provides for each line using the other line for purposes of disposing of empty American or Canadian foreign freight cars to the owning line with the least possible empty car miles. This has saved a large amount of empty car miles and reduced car hire payments, for both companies. With this arrangement in effect little additional advantage could be derived under unified operation.

As a further example of what has been done when there is a will to co-operate, the following is cited:—

With our knowledge that the Canadian Pacific were hauling their refrigerator cars empty from Montreal to Saint John for bananas, we arranged with them to use at Saint John, surplus C.N. refrigerators on our Atlantic Region Moncton and East, which would otherwise move empty to Montreal or beyond. This arrangement was made in April, 1932, and is still in effect and saves empty car miles for both companies.

Item No. 5—Re-routing of Freight Traffic.—Commencing on page 677 the Canadian Pacific witness referred to the freight haul from the vicinity of Cornwall or Coteau into New England and explained that it took two locomotives on the Canadian Pacific to haul about one-half what one locomotive will haul on the Canadian National route. The Canadian Pacific line leads to Wells River, Vt., while the Canadian National has connections with the Central Vermont its subsidiary, which reaches White River Jct., Vt., and beyond. It so happens that at White River Jct. freight now moving via Wells River, thence Boston and Maine to White River Jct., is actually consolidated at the latter point with freight coming south over the C.V. for Boston. It was pointed out by the C.P. witness that under unification use could be made of the C.N.-C.V. route by both roads. This is an arrangement that could equally well be made under a co-operative plan. There is a crossing of the two lines at grade level at St. John's, Que., and Canadian Pacific trains moving to or from Montreal would enter or leave the tracks of the C.N.-C.V. at Saint John's and use the route under some mutually satisfactory arrangement to be agreed upon under co-operation.

Exhibit No. 52 (page 717) Item "X" shows a saving on account of rerouting of O. C. S. coal and other company's material of 360,000 train miles—13,250,000 car miles. This is one of the major items in the list under heading of "Rerouting of Freight Traffic" as shown in the Exhibit, and the car mileage represents approximately one-half of the total freight car mileage saving indicated. Without knowing what is contained in these figures it is not possible to comment on the item fully. However, as coal is specifically referred to, it may be that it contemplates the discontinuance of the lengthy haul of Sydney and Alberta coals to distant locations and substitution of American coal therefore.

As regards the balance of the items contained in Exhibit 52, they are of such a nature as to require a large amount of study and access to records not as yet disclosed. In the case of Item (c) of Exhibit 52—Fredericton-Vanceboro and Item (u) Prairies-Kamloops, co-operative measures have been put into effect since. Apart from these two instances, however, the estimates of mileage reductions due to rerouting traffic have been prepared exclusively by Canadian Pacific officers, and, as the details from which they are derived have not been made available, it is impossible to give any conclusions that would be of benefit to your Honourable Committee.

The mileage reductions contemplated under "Rerouting of Traffic" total 2,108,175, or 39.8 per cent of the total freight train mileage reduction of 5,301,323 as proposed by the Canadian Pacific. As has been explained, some of this has already been accomplished, and where similar economical rerouting

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f traffic as exemplified in the case of the Wells River route could be arranged under amalgamation, in my opinion it could be done equally well under co-operation. The Canadian National is prepared to assist in working out any such developments.

In the Canadian Pacific submission Exhibit "H" (page 935), expenses shown under "Train Service" pertaining to passenger train operation only, total for the year 1930 for the combined systems operated separately \$33,523,864, while the total similar items for the systems operated as a unit is \$26,588,140—or an indicated saving of \$6,935,724.

It will be noted in connection with the item "Trainmen" (Passenger) the difference between the total of the combined systems operated separately and the systems operated as a unit is \$1,098,119, which converted into miles at the cost per mile shown in the statement of 14·014 cents shows that 7,835,871 passenger train miles is taken as the basis of proposed saving. This coincides roughly with the 7,574,454 passenger train miles in the C.P.R. submission (Exhibit "B," page 417).

It is to be noted that since Exhibit No. 63 was placed in the evidence the C.P. witness at page 983 shows deductions from proposed savings—Item 1. Savings from Co-operation and Co-operative Measures already in effect or approved \$1,771,000, and Item 2. Reduction of Estimated Saving of Passenger Train Miles from 7,574,454 to 6,649,836—\$1,255,000, or a total of \$3,026,000. Exhibit No. 63, commencing on page 938, shows the estimated total reductions possible in duplicate passenger train services on the basis of 1937 traffic placed at 3,508,413 miles. It is apparent that a considerable proportion of the estimated saving of \$6,935,724 as shown on page 935, has been accomplished.

The expense involved in dining and buffet car service is not chargeable to any of the transportation accounts, but to Account 441, Miscellaneous Operations, therefore, it is not a portion of the estimated \$24,000,000 saving for transportation. However, the dining and buffet service on the Canadian National comes under my jurisdiction, and as it is closely allied to passenger service, I will comment on it at this stage.

Under the heading "Dining and Buffet Car Service" (page 426), the expense for the Canadian National in 1930 is shown as \$2,513,422, and for the Canadian Pacific \$2,227,656—total \$4,741,078. Similar expenses for 1937 were C.N. \$1,213,313, C.P. \$1,230,764—total \$2,444,077. This is a reduction on the combined lines in 1937 as compared with 1930 of \$2,297,000 or 48·4 per cent. The net saving indicated in the C.P.R. submission (page 426) for the railways operated as a unit is \$918,249, which was later reduced to \$612,000 (page 902). In view of the savings already made as indicated in the foregoing, some of which are of a permanent character, and the fact that nothing has been disclosed as to what services are to be discontinued, it is impossible to express any judgment as to further results that might be obtained under unification.

OTHER TRANSPORTATION EXPENSES

Referring to Exhibit "H," page 9-L (page 938), a number of accounts are shown which are all of a miscellaneous nature. In this list, under the heading "Operating Sleeping Cars," it is indicated that the expense for the combined railways operating as a unit would be \$627,682, less than with the combined railways operated separately. Of the balance of the accounts on this list, seventeen in number, a total saving of \$893,677, is estimated, which, divided amongst the seventeen accounts is comparatively small; in fact approximately all of the \$893,677 is predicated on line abandonments, and, if this is to be disregarded, obviously the savings disappear.

As regards the \$627,682 estimated saving in operation of sleeping cars Attention is drawn to the fact that in 1930 expenses for operating sleeping cars on the C.N. were \$1,291,801 and on the C.P. \$2,001,015—total of \$3,292,816. Similar figures for 1937 are C.N. \$761,664, C.P. \$1,187,038—total \$1,948,702. In other words, for the two railways there has been a total reduction in 1937 as compared with 1930 of \$1,344,114, or 40·8 per cent. The situation with respect to the operation of sleeping cars is closely analogous to that of the dining and buffet car service, in that it is contingent upon the action that is taken with respect to passenger train service, details of which have not been disclosed.

RECAPITULATION

There are many varying conditions that affect transportation expenses as between the two railways, for instance: the division of freight business as between bulk traffic, such as grain, coal, etc., and manufactures and miscellaneous freight, including L.C.L. The 1937 figures as appearing in the annual reports disclose the following:—

	C.N.R. (Tons)	C.P.R. (Tons)
Bulk Commodities.....	31,094,941	22,129,580
Manufactures and Misc., including L.C.L.	15,942,779	7,713,281
Total.....	47,037,720	29,842,861

It is evident from these figures that the Canadian National handles 106·7 per cent more, or more than twice as much tonnage of manufactured products than the Canadian Pacific, but only 40·7 per cent more tonnage of bulk commodities. It is unavoidable that more expense attaches to the handling of manufactured goods and miscellaneous freight than applies to bulk goods because of lighter car loading, increased terminal expenses and speedier handling.

Reference has been made in the comment upon yard operations to the 20 per cent longer average freight haul enjoyed by the Canadian Pacific; this has a distinct bearing on any comparison of results. Another condition affecting any comparison as between the two roads is the greater freight traffic density obtaining on the Canadian Pacific as measured by revenue ton miles per mile of line.

The direct transportation cost of operating a freight train one mile is invariably higher than that of a passenger train mile. This has an important bearing on any comparison of expenses, as can be judged from the following figures, which show that of the C.N. total train mileage in 1937, 60·8 per cent was in freight service, whereas on the C.P. only 56·1 per cent was in freight service.

	C.N.R.	C.P.R.
Freight train miles.....	29,858,278	21,155,738
Passenger train miles (including motor).....	19,285,259	16,538,292

This indicates that the Canadian National handled 41·1 per cent more freight train miles than the Canadian Pacific, but only 16·6 per cent more passenger train miles. It is obvious that with this greater proportion of freight train miles in the Canadian National figures, the train expense per train mile (all classes combined) must naturally be higher than the Canadian Pacific.

As is well known, the Canadian National was formed by the consolidation of four separate systems, much of which mileage had been built with competitive features in mind, and as a result certain duplications exist, but public convenience and necessity demand that service be continued.

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A comparison of the operations of the two railways is clouded by the many differences in their respective conditions; transportation expenses are peculiarly sensitive in this regard. These differences in conditions will remain under any form of operation if essential services to the public are to be maintained.

Reviewing the transportation angle of the question generally it must be apparent from the various comments previously made regarding the C.P.R. estimates that their representatives studying the Canadian National side of the problem were to a certain extent working in the dark; this must necessarily be so in that they were without definite or reliable information as to all Canadian National costs and conditions. This factual error invalidates materially any conclusions that are based on it, but in addition it is clear that their judgments of possible operating conditions in train service, station service, and yard costs, have been formed without sufficient study and without adequate knowledge of actual conditions. This adds to the weaknesses of the C.P.R. conclusions. Moreover, running through all of their estimates is the assumption as to the abandonment of over 5,000 miles of line; it would involve too much detail to indicate the distribution of the reductions from the estimates were we to assume that this program of abandonment is not to be consummated. Finally, I have indicated the impropriety of applying certain measures of cost drawn from statistical data where the conditions underlying the operations of one railway are so dissimilar to those of the other.

By Mr. Biggar:

Q. Mr. Walton, I think, as far as I have been able to understand the statement you have just read, that it is an extremely able destructive criticism of the proposal made by the Canadian Pacific—

Right Hon. Mr. MEIGHEN: Just before you go on to that, may I interrupt?

Q. I want to be clear on one thing. In your opening remarks you commented in the usual way on the utter inability to compare, and in discussing operating ratios you pointed out that conditions in the United States were different from conditions in Canada, to the disadvantage of the Canadian National. You did not mention, though, the fact, if it is a fact, that wages are higher there. You left that out.—A. Incidentally, you, I think, said operating ratios?

Q. Yes.—A. I was speaking just of the transportation ratios. By that I mean the ratio that transportation accounts bear—

Q. But wages would come in there?—A. Yes.

Q. But you did not mention the fact that they are higher over there than they are here?—A. That is true.

Q. But I notice that your confrere this morning emphasized that very very frequently and emphatically when he was trying to show that you could not compare the Canadian Pacific with the Canadian National, because you had more roads in the United States. So you only mention something when it is in favour of your argument, and you leave it out when it is against?

Hon. Mr. MURDOCK: Don't we all?

The CHAIRMAN (Right Hon. Mr. Graham): Humans are weak.

The WITNESS: In addition to that, there is the feature of higher freight rates.

Right Hon. Mr. MEIGHEN: You mentioned that, but you left out about the wages. But when the difference was in your favour, it was mentioned.

By Mr. Biggar:

Q. Mr. Walton, I think, as far as I have been able to understand the statement you have just read, that it is an extremely able destructive criticism of the proposal made by the Canadian Pacific. I think some of the members of the committee would have been glad to have had something constructive from

you. I do not know whether there has not been some misconception. The committee, as I read its terms of reference, was constituted not for the purpose of examining a proposal by the Canadian Pacific Railway but for the purpose of finding out how the public can be relieved of a heavy railway burden. Now, have you ever addressed yourself to that? What would be saved by unification of these systems?—A. No, sir, I have not, for the reason that in going over the submission there was not sufficient detail—

Q. I am not speaking about anybody else's proposal. The Canadian Pacific Railway's proposal has been before the Canadian National officers for about six years, and I suppose you have been in a position during those six years to examine it and to formulate an alternative estimate, to make exactly the same kind of estimate that was made by the Canadian Pacific in 1932. Now, have you ever done that?—A. No, sir, and I think I am correct in saying that there has been nothing before us for six years which would permit us to make a careful examination of it.

Q. I did not mean a careful examination of the Canadian Pacific's proposal. I mean a careful examination of the possibilities of the situation for the purpose of relieving the public of Canada of a very heavy burden.—A. Are you referring, sir, to the possibilities of unification?

Q. As one of the possibilities of relieving the public.—A. So far as that is concerned, the studies—I didn't make any. Had I made a study I would only have Canadian National information available.

Q. But you could have made a study, based on such information as you have, just in exactly the same way as Mr. Fairweather did in 1931 and the Canadian Pacific did in 1932?—A. I have made no such study, sir.

Q. Are you familiar with the study that was made by Mr. Fairweather?—A. I am not.

Q. You know where it is in the proceedings?—A. Yes.

Q. Would you look at the proceedings, at pages 486 and 487? There was a constructive proposal. You have been dealing here with a figure of \$23,994,376 of possible savings, according to the Canadian Pacific estimate, under the main heading of "Transportation, Rail Line." Now, I find in this Canadian National estimate, at page 487, under the heading "Transportation" as part of "Operating Expenses," an estimated saving for 1931 of \$17,883,000. And most of the figures are subject to an increase of about 15 per cent for a normal year, in which event you could add to that an amount that would bring it up to somewhere near \$20,000,000, which compares with the figure of approximately \$24,000,000 that you have been destructively criticizing.

Hon. Mr. HAIG: Where are those figures, please, Mr. Biggar?

Mr. BIGGAR: In the fifth column, at the top of page 487, under the heading of "Transportation." There is a series of figures in that column.

Hon. Mr. ROBINSON: It is the fourth column.

Mr. BIGGAR: Well, it is the fifth column, counting from the first one that contains the particulars.

Q. Now, what about that? That brings it up to somewhere about \$19,000,000 or \$20,000,000, when you transfer it to a normal traffic year. Have you ever made a study of that?—A. No, sir. I had no hand in the preparation of that estimate and have never seen any figures other than what are in this exhibit.

Q. Does not that make it more astonishing than ever that here was an estimate of \$56,000,000 submitted to a Royal Commission in November of 1931, and another estimate of \$75,000,000 submitted to the same Royal Commission two months afterwards, and yet I judge from the comprehensiveness and penetration of the memorandum which you have just read that your attention has been

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devoted to the second and not to the first?—A. It is correct. I have devoted no attention to this. I have always understood it was an estimate prepared by a certain party, and I think he should explain it. I am not in a position to do so.

Q. Wait a moment. He was putting that forward on behalf of the Canadian National Railways?—A. I don't know as to that.

Q. That is the way it is done. All through it is a consolidation of Canadian Pacific and Canadian National Railways.

Hon. Mr. MURDOCK: But, Colonel Biggar, am I out of step in understanding that Mr. Walton has already indicated that during the six- or seven-year period there have been greater economies made in many respects than were contemplated by these figures before us?

Mr. BIGGAR: That is what I want to find out, whether the same destructive criticism applies to one as to the other.

By Mr. Biggar:

Q. Was the Canadian National talking nonsense in 1931 and 1932 to the same extent as the Canadian Pacific?—A. I think so, sir, as far as I can see.

Q. You cannot tell us now, because you have never made a study of it, to what extent they were talking nonsense? As a matter of fact, if we asked you to-day, supposing no estimate had ever been made of the savings that might be obtained by unification, you would have to say, "I have not the remotest idea"?—A. That is true.

Hon. Mr. BLACK: Mr. Chairman, I should like to ask a question.

By Mr. Black:

Q. We have had all through to-day's session a very clear exposition, from the Canadian National standpoint, why they do not agree with the Canadian Pacific savings. That is only true to a certain extent. But what this committee is trying to find out is some means whereby we can reduce the operating expenses of your railway particularly, because the Canadian National is owned by the people of Canada. I wish each one of you, when you come here, would tell us something of what we can do. Unification is only one suggestion. By proper co-operation do you think there could be very material savings made?—A. I think there are still possibilities of considerable magnitude, yes, sir. I have referred to the rerouting of traffic, for one thing.

If I may leave your inquiry for a moment, senator, I should like to amplify my last reply to Mr. Biggar to just this extent. Were I to attempt to place a figure on the possible savings from amalgamation, I should do what the Canadian Pacific representatives did—take partial information, which would not be accurate and would bring me to a conclusion which essentially would be inaccurate. I cannot see any other position to it.

By Mr. Biggar:

Q. If, for example, you and Mr. Jefferson, one of the Canadian Pacific officers who dealt with the question from the Canadian Pacific point of view, sat down with a competent outside railway man, probably an accountant, perhaps also a practical man, that group together would have no difficulty in really getting to a figure that would pretty near agree as to the amount that could be saved by unification, could you not?—A. When you say "no difficulties," it would involve a large amount of work.

Q. But I mean you could look forward at the commencement of that inquiry to reaching a figure that there would not be very much difference of opinion about among you as to its amount?—A. I think a conclusion could be reached. Whether it would be agreed in by all is uncertain.

Q. But I mean differences of opinion could be ironed out?—A. They would be comparatively narrow, they should be ironed out I presume.

Hon. Mr. DANDURAND: If I may interrupt, Colonel Biggar. The Canadian Pacific came forward, headed by Sir Edward Beatty, with a declaration that \$75,000,000 savings could be made, and proceeded to establish its case. We thought we would draw upon our own experts—because the Canadian National is a State-governed railway—to test those figures. Are we not engaged in testing those figures to see if \$75,000,000 savings can be made under unification?

Mr. BIGGAR: Oh, quite.

Hon. Mr. COTE: Are we not expecting more than that on that very point? When Senator Dandurand mentioned at a previous meeting that the Canadian National experts would be called in to destroy the case of the C.P.R.—

Hon. Mr. DANDURAND: To test it.

Hon. Mr. COTE: —I said, this is not a lawsuit. We are looking for information and ideas. I do hope that the C.N.R. will come here with something constructive.

Hon. Mr. DANDURAND: In many instances the witness has said, "I think this could be done under co-operation."

Hon. Mr. BLACK: I did not quite finish, Mr. Chairman. What Senator Cote says expresses my idea exactly. Personally, I want to find some means, if possible, whereby we can save something for the people of Canada without doing injustice anywhere. I think we are making a mistake in keeping this matter of unification or amalgamation continually before us. More than one witness in the early stages of the investigation stated there was not co-operation because they would not co-operate. So far as I can see the slogan has been, "Co-operation never, but competition ever." Now, is there not some means whereby we can get away from that everlasting competition and come down to some kind of reasonable co-operation? I cannot get information from any source to indicate how we can get these two roads—now opposing roads apparently—to co-operate and to co-ordinate those interests which should be co-ordinated in the interests of the people of Canada.

By Hon. Mr. Black:

Q. You are a traffic man?—A. Transportation, yes, sir.

Q. You, it seems to me, are in a position more than anybody else from the C.N.R. to indicate some instances where considerable savings could be made by co-operation. This committee ought to know why we have not had co-operation, who is to blame for it, and if you can suggest such methods and means by elimination either of mileage or of services of various kinds with respect to which we are going to be able to get you together. Mr. Fairweather has said that the only means he can think of to get additional co-operation is by compulsion. Mr. Hungerford in his statement said the same thing.—A. Yes, sir.

Q. Now is that your opinion as a traffic man?—A. Yes, sir. I started to say a few minutes ago, and I say again, I think there is a considerable field for co-operative savings, not only in the rerouting of traffic but in regard to some duplicate passenger train services. Various angles can be studied.

Q. Do you think from your road's standpoint every effort that could be reasonably made has been made by your own people?—A. I would naturally think that.

By Right Hon. Mr. Meighen:

Q. Why would not the others?—A. Possibly they do.

Q. After five years you have got practically nowhere, and you come to us and tell us to keep on.

Hon. Mr. DANDURAND: I draw my right honourable friend's attention to the fact that no railway executive felt that he should press for arbitration when [Mr. N. B. Walton.]

the other party differed, and now Mr. Hungerford says a system could be effected by which the two railways could be made to come under the arbitral board.

Right Hon. Mr. MEIGHEN: Why in the world they would not is a mystery to me to this hour. Why a man should come before us and say, "I could have had this attended to by the tribunal if I wanted to, but I ask you to get somebody to make me do it."

Hon. Mr. MURDOCK: Is not the answer here, that compulsion would be argued by one party to this controversy as confiscation, and we should likely find ourselves in a very few years held liable for assuming the debts and the burdens of another large transportation system?

Right Hon. Mr. MEIGHEN: If that is the case, I do not think it is, it will apply just exactly the same if you have somebody tell them they have got to have a tribunal.

Hon. Mr. MURDOCK: You are quite right.

Right Hon. Mr. MEIGHEN: Where in the world you get by having another board to tell you what you have got to do when you are able to do it without anybody telling you to, passes my comprehension.

Hon. Mr. BLACK: The present arbitral board is there and anybody can appeal to it at any time. It is a compulsory board. So far as the suggestion came from Mr. Hungerford, I do not understand why they did not go to that board.

Right Hon. Mr. MEIGHEN: They say, "We want somebody to make us do so."

Hon. Mr. DANDURAND: There is a board that will make them go to arbitration.

Right Hon. Mr. MEIGHEN: They come to us and say, "We could go ourselves, but we wanted to be made to do it."

Hon. Mr. BLACK: Let me make one more suggestion, and I will say nothing further.

By Hon. Mr. Black:

Q. Some of your people who are here, Mr. Walton, have given good evidence, and I am not finding fault with it, but it is all on one point. You are almost antagonizing the committee because each road is fighting on unification and nothing else. Make some suggestions to us before you finish as to what we can do to get you together or to effect some economies which you both admit are possible if you only avail yourselves of them.

Hon. Mr. ROBINSON: Senator Black, after all is not the great question before the country unification? Propaganda has been spreading out all over Canada in journals and speeches, until it has become a sort of campaign to stampede us into unification. That question is very much before us.

Hon. Mr. BLACK: As a committee we should not allow ourselves to be stampeded by that kind of propaganda. Because the papers all over the country are talking unification, it does not mean we have to look to that as the only solution of this problem.

Hon. Mr. ROBINSON: But don't we have to examine into it?

Hon. Mr. HAIG: The Senate never told us to do that. It told us to inquire into and report upon the best means of relieving the country from its extremely serious railway condition and financial burden consequent thereto. Those were our instructions—

Hon. Mr. ROBINSON: I know.

Hon. Mr. HAIG: Let me finish. We have a statement from the Canadian Pacific of what they would do to answer that question. Then we have an examination by the Canadian National to show the Canadian Pacific figures are wrong. We have had a suggestion by Mr. Fairweather of the Canadian National that we should have compulsory arbitration. Then the president of the road comes forward and says, "We must have compulsory arbitration if we are going to get any place." I should expect this gentleman, having shown the Canadian Pacific figures are all wrong and that we cannot save a cent by that plan, to say, "I now propose by compulsory operation, as suggested by my chief, to accomplish this, and this, and this." I should like to hear him tell us in the same analytical way that he has done this job how his chief's idea can be carried out. I have not heard that suggested yet. I think that is what the Senate asked us to do. That is what our reference should show us. That is what the Senate asked us to do.

Hon. Mr. DANDURAND: I draw the attention of my honourable friend to the fact that the Canadian National has just begun to examine into the figures given by the Canadian Pacific, which had to make its case for unification; and if he will bear a little so that the examination may go on, he may find that he has got his answer.

Hon. Mr. HAIG: I hope so.

Hon. Mr. ROBINSON: Do you object to the style of evidence that has been given?

Hon. Mr. HAIG: No, not in the slightest.

Hon. Mr. ROBINSON: We wanted our officials to give us all the information they could give us about it. I do not say whether I am for or against unification—

Hon. Mr. HAIG: And when our officials tell us that compulsory arbitration would achieve great results, would you not like them to tell you at the same time what those results are?

Hon. Mr. DANDURAND: I hope so.

The CHAIRMAN (Hon. Mr. Beaubien): Will we take that as a question to the witness? You mean to place some figure on it in dollars?

By Hon. Mr. Haig:

Q. The Chief of your railroad has told us, and so has Mr. Fairweather, that compulsory arbitration is one of the routes to the solution of our problem. I want to know, with the same analysis that you have put on that or that the C.P.R. have put on their suggestion, what you can do under your suggestion. Then I can size up the two.—A. I cannot give you that for the reason that they gave an estimate based on such information as they had.

Q. We will judge whether the basis is good or bad.—A. I cannot do that. Take the rerouting of traffic; I have not any idea what the service runs to on their line, if it is involved. The time-table does not give any indication. The large number of extra trains run affect the traffic. You have to see what is the peak traffic and see if the line that is going to take the diverted traffic can handle it; and what capital expenditures are necessary for improvements. I am only explaining that until a co-operative study is made co-operatively you do not get all the angles of the situation. You fall into the same condition that I have tried to illustrate as the Canadian Pacific did with the best information they could get; and if your starting point is wrong your result will be wrong.

By Hon. Mr. Murdock:

Q. And in the meantime you decline to guess?—A. I do not want to guess. [Mr. N. B. Walton.]

By Hon. Mr. Haig:

Q. You have had five years to study co-operation, and after that five years your Chief has told us we should have compulsory co-operation. What is the basis?

Hon. Mr. McRAE: He was not able to give us anything.

Hon. Mr. HAIG: These men were coming to give that information.

The WITNESS: There is a big difference between knowing that there is a field to be explored on the one hand, and, on the other hand, putting more or less—I won't say an exact or even an approximate valuation on what can be done that way. I cannot do it.

By Mr. Biggar:

Q. The officers of the two roads, each on their own side, have told us that the ultimate that can be expected from compulsory co-operation is a saving of somewhere in the neighbourhood of \$10,000,000. Do you disagree with the view expressed by those men?—A. I have nothing better to suggest. I will have to go along with them.

By the Chairman (Hon. Mr. Beaubien):

Q. You confirm that?—A. I don't confirm it. I have nothing to confirm it on. On the other hand, I have no basis of disagreement.

Hon. Mr. HORSEY: Mr. Hungerford said there could be just as much saving under full co-operation as under unification, less, perhaps something for supervision.

Hon. Mr. BLACK: They might indicate what in the opinion of the Canadian National could reasonably be abandoned, if anything.

Hon. Mr. HORSEY: They could give more details.

Hon. Mr. BLACK: Somebody could give us that.

The CHAIRMAN (Right Hon. Mr. Graham): Mr. Biggar has one more question to ask, and then we will adjourn to 11 o'clock to-morrow, if the committee agrees.

By Mr. Biggar:

Q. The question I wanted to ask you was this. I have been furnished with a submission made to the committee of the House of Commons on behalf of the truck transportation people, which would indicate that the L.C.L. freight of all the railways is a very small proportion of their total freight.—A. That is true.

Q. Something less than 5 per cent?—A. Around 3 decimal something, if I remember correctly.

Q. Can you tell me in point of revenue whether it is practically the same?—A. The revenue is higher, as I recall it. I am just speaking from memory, and it may be dangerous to do that.

Q. So we cannot say the loss of revenue by the railways is really attributable in any large measure to the trucks?—A. No, not in the general picture.

Hon. Mr. HAIG: I move that we adjourn.

The committee adjourned until to-morrow at 11 a.m.

EXHIBIT No. 90 AND 90A

Statements of C.P.R. and C.N.R. gross revenues and expenses, January to April, 1938.

EXHIBIT No. 90

January-April, Inclusive

1938

	Canadian National System \$	Canadian Pacific \$
Gross revenues	55,147,637	40,579,963
Operating Expenses	59,578,424	38,832,462 ¹
Net Revenues	Dr. 4,430,807	1,747,501
Operating Ratio, per cent . . .	108·03	95·69

1937

Gross Revenues	62,033,587	43,537,101
Operating Expenses	57,467,076	38,046,278 ¹
Net Revenues	4,566,511	5,490,823
Operating Ratio, per cent . . .	92·64	87·39

¹Includes Tax accruals

1937—\$1,429,616

1938—Not yet available

Dominion Bureau of Statistics,
June 14, 1938

EXHIBIT No. 90A

DOMINION BUREAU OF STATISTICS

Transportation and Public Utilities Branch

OTTAWA, CANADA, June 15, 1938.

DEAR SIR,—

I am attaching a statement of revenues and expenses of the Canadian National System and the Canadian Pacific Railway for the four months January to April, 1938 and 1937. The statement I forwarded to you yesterday was compiled from a monthly report issued by the Canadian Pacific which included taxes in their working expenses. The attached statement, however, is on the same basis as our regular monthly report and both the Canadian National and Canadian Pacific data are compiled on the same basis, with minor exceptions.

Yours very truly,

G. S. WRONG, *Chief,*

Transportation and Public Utilities Branch,

Col. O. M. Biggar, K.C.,
Ottawa.

EXHIBIT No. 90A

January-April, Inclusive

	Canadian National System \$	Canadian Pacific \$
Gross Revenues	55,147,637	40,903,673
Operating Expenses.. . . .	59,578,424	37,389,349
Net Revenues.. . . .	Dr. 4,430,807	3,514,324
Operating Ratio, per cent.. . .	108.03	91.41

1937

Gross Revenues.. . . .	62,033,587	43,517,336
Operating Expenses.. . . .	57,467,076	36,616,661
Net Revenues.. . . .	4,566,511	6,900,675
Operating Ratio, per cent.. . .	92.64	84.14

Dominion Bureau of Statistics,
June 15, 1938.

EXHIBIT NO. 91

OPERATING RATIOS

U.S. Class I Roads with Operating Revenues of 75 millions dollars and over, 1930-1937

	1930	1931	1932	1933	1934	1935	1936	1937
New York, New Haven and Hartford.....	67.25	68.89	70.67	73.23	76.09	73.71	74.07	78.51
New York Central.....	79.84	80.06	77.16	73.75	72.35	72.93	69.27	72.68
Baltimore and Ohio.....	78.66	80.34	77.37	73.38	75.97	76.47	74.46	77.55
Pennsylvania.....	74.10	75.69	72.81	68.57	73.29	74.34	73.14	76.05
Chesapeake and Ohio.....	74.88	78.75	73.03	69.84	72.39	71.53	71.15	74.13
Ft. and Western.....	63.09	62.31	56.69	55.04	55.54	55.50	51.66	56.95
Illinois Central.....	59.36	63.36	60.13	56.33	61.25	57.0	52.86	55.98
Knoxville and Nashville.....	76.98	81.32	74.33	71.12	74.66	84.97	74.16	74.47
Northern.....	82.26	83.18	80.75	76.53	76.23	76.35	72.11	75.51
Chicago and North Western.....	75.01	81.65	83.39	70.53	74.34	73.52	70.03	72.95
Chicago, Milwaukee, St. Paul and Pacific.....	77.74	83.27	83.60	78.64	81.45	84.49	83.76	90.59
Great Northern.....	78.77	80.12	84.90	75.56	79.28	82.64	78.10	80.94
Union, Topeka and Santa Fe.....	69.11	71.72	82.19	67.09	68.70	61.66	63.47	64.65
Chicago, Burlington and Quincy.....	70.10	72.83	76.37	78.35	69.69	80.64	79.69	82.01
Chicago, Rock Island and Pacific.....	69.94	69.65	73.57	69.25	72.25	75.42	72.64	74.17
Northern Pacific.....	74.12	76.25	80.30	81.19	85.40	90.14	87.21	84.86
Montana Pacific.....	71.76	75.09	78.76	77.46	74.08	74.47	71.72	76.51
Missouri Pacific.....	65.59	67.51	65.78	64.57	69.49	73.32	70.05	72.09
Rock Island.....	74.06	74.04	76.83	77.18	79.50	81.46	75.46	77.33

Statistics of Railways in the United States. (Published by the Interstate Commerce Commission)
July 21, 1938.

EXHIBIT No. 92

Communication from the General Counsel, C.P. Ry. enclosing and commenting upon joint statements prepared by C.P. and C.N. Rys. *re* line abandonments, etc.

CANADIAN PACIFIC RAILWAY COMPANY

Law Department

S.F. 266

Ottawa, June 15, 1938.

O. M. BIGGAR, ESQ., K.C.,
Messrs. Smart & Biggar,
Victoria Building,
Ottawa, Ont.

Senate Inquiry

Dear Mr. Biggar,—Statements made by the Vice-Presidents of the Canadian National last evening recalled to our officers that, in response to enquiries on the part of the Royal Commission during the train conference in 1931 as to possible opportunities for savings through abandonment of lines and other facilities and the joint use by both companies of lines and facilities of one or other, joint statements were prepared and signed by officers of the Canadian National and the Canadian Pacific.

I enclose copies of these statements as follows:—

- (1) Statement dated 30th December, 1931, signed by Messrs. S. W. Fairweather, D. Crombie and C. S. Gzowski on behalf of the Canadian National, and A. Hatton, J. E. Armstrong and R. McKillop on behalf of the Canadian Pacific. This statement covers the territory east of Fort William and includes approximately 1,600 miles of main line and 175 miles of branch lines, a total of 1,775 miles. You will note that it recommends consideration of joint trackage in the territory Ottawa-Sudbury, Sudbury-Port Arthur and Toronto-Sudbury, and thus covers the Eastern Lines portion of the territory discussed by Mr. Kingsland.
- (2) Statement, undated, signed by Mr. A. E. Warren for the Canadian National and Mr. D. C. Coleman for the Canadian Pacific, covering Western Lines territory. This statement covers a total of 1,185 miles. It includes the Western Lines portion of the territory referred to by Mr. Kingsland. It also includes the line from Kamloops to Vancouver referred to by Mr. Warren.

From these documents it is apparent that the initiative as to line abandonment proposals lay with the Royal Commission which had already been acquainted with the Canadian National estimate of savings from unification, including the abandonment of 2,434 miles of line.

I should be obliged if you would include these joint statements and this letter in the Proceedings of the Committee in order to correct any impression that may have been created that the initiative of the matter of line abandonment lay with the Canadian Pacific.

These joint statements offered ample justification for the Canadian Pacific to include the lines mentioned in them in its list of possible line abandonment furnished in response to the Commission's request.

Yours sincerely,

E. P. FLINTOFT,
General Counsel.

CANADIAN NATIONAL RAILWAYS

CANADIAN PACIFIC RAILWAY

Central & Atlantic Regions

Eastern Lines

Statement of Opportunities for Co-operation Between the Two Railways That May be Worthy of Examination by the Railway Executives

1. Consideration of Joint trackage in the following areas:—

Main Lines

- (a) Montreal — Farnham (Portions)
- (b) Montreal — Quebec (Portions north of the St. Lawrence)
- (c) Montreal — Toronto (Portions)
- (d) Montreal — Ottawa
- (e) Ottawa — Sudbury
- (f) Sudbury — Port Arthur
- (g) Toronto — Sudbury
- (h) Windsor — Woodstock & Ingersoll

Branch Lines

- (a) Edmundston—Grand Falls
- (b) Renfrew — Eganville
- (c) Midland — Port Hope & Belleville
- (d) Listowel — Linwood
- (e) Galt — Kitchener

2. Joint switching arrangements and other facilities at the following points:—

Saint John, N.B.	Peterboro, Ont.
Fredericton, N.B.	Lindsay, Ont.
Edmundston, N.B.	Midland, Ont.
Sherbrooke-Lennoxville, Que.	Toronto, Ont.
Drummondville, Que.	Owen Sound, Ont.
St. Hyacinthe-St. Rosalie, Que.	Guelph, Ont.
Farnham, Que.	Goderich, Ont.
Quebec, Que.	Galt, Ont.
Grand'Mere, Que.	Kitchener, Ont.
Shawinigan Falls, Que.	St. Marys, Ont.
Joliette, Que.	St. Thomas, Ont.
Montreal, Que.	Woodstock, Ont.
Cornwall, Ont.	London, Ont.
Prescott, Ont.	Chatham, Ont.
Brockville, Ont.	Ottawa, Ont.
Smith's Falls, Ont.	Pembroke, Ont.
Kingston, Ont.	North Bay, Ont.
Belleville, Ont.	Sudbury, Ont.
Trenton, Ont.	

3. Joint stations or station staffs at:—

Chipman, N.B.	Hanover, Ont.
Actonvale, Que.	Harriston, Ont.
Plaster Rock, N.B.	Iberville, Que.
Woodstock, N.B.	Ingersoll, Ont.
Arnprior, Ont.	Grenville, Que.
Beachville, Ont.	Lachute, Que.
Dorval to Vaudreuil, Que.	Listowel, Ont.
Beeton, Ont.	Milton, Ont.

Belle River, Ont.
 Jeannettes Creek, Ont.
 Blyth, Ont.
 London to Chatham, Ont.
 Toronto to Belleville, Ont.
 Brampton, Ont.
 Burwash, Ont.
 Coldwater, Ont.
 Drumbo, Ont.
 Durham, Ont.
 Elmira, Ont.
 Fergus, Ont.
 Mount Forest, Que.
 Grand'Mere, Que.

Milverton, Ont.
 Orillia, Ont.
 Renfrew, Ont.
 St. Johns, Que.
 Shannonville, Ont.
 Stanbridge, Que.
 Tillsonburg, Ont.
 Tottenham, Ont.
 Tweed, Ont.
 Uhthoff, Ont.
 Waterloo, Que.
 Weston, Ont.
 Windsor Mills, Que.
 Wingham, Ont.

4. Handling water borne freight on the Great Lakes ships including consideration of dock facilities.
5. Elimination of unnecessary city Ticket, Freight, Telegraph and Express offices.
6. Interchanging business with railroads in the United States, which are owned or controlled by Canadian interests.

S. W. FAIRWEATHER,
 D. COMBIE,
 C. S. CZOWSKI,

A. HATTON,
 JOHN E. ARMSTRONG,
 R. McKILLOP.

Montreal, 30th December, 1931.

CANADIAN NATIONAL RAILWAYS
 WESTERN REGION

CANADIAN PACIFIC RAILWAYS
 WESTERN LINES

STATEMENT OF OPPORTUNITIES FOR JOINT OPERATION BETWEEN THE TWO RAILROADS THAT MAY BE WORTHY OF EXAMINATION BY THE RAILWAY EXECUTIVES

1. Extension of joint switching arrangements at the Head of the Lakes—Port Arthur and Fort William.
2. Consideration of the three lines between Winnipeg and Fort William looking to the possible partial elimination of one of them. (Lake Superior Branch C.N.R.)
3. Consideration of joint trackage in the following areas:
 - (A) In the St. James area, Winnipeg, as affecting the Midland Railway, the C.N.R., and the C.P.R.
 - (B) Winnipeg-East Selkirk.
 - (C) C.N.R. Regina-Brandon line, and the C.P.R. Reston-Wolseley branch.
 - (D) Estevan-Bienfait.
 - (E) Regina-Moose Jaw.
 - (F) Saskatoon-Unity.
 - (G) Irricana-Beiseker.
 - (H) Bruderheim-Edmonton.
 - (I) Red Deer-Rocky Mountain House.
 - (J) Edmonton-Morinville, N.A.R.
 - (K) Kamloops-Vancouver.
 - (L) Minnedosa-Rosburn.
 - (M) Alix-Nevis.

4. Joint Stations at:
- (A) Morris.
 - (B) Portage la Prairie.
 - (C) Carberry.
 - (D) Carlyle.
 - (E) Virden.
 - (F) Deloraine.
 - (G) Catman.
 - (H) Holmfield.
 - (I) Rosedale.
 - (J) Calgary.
 - (K) Edmonton.
 - (L) Port Arthur.
5. Joint use of Port Arthur docks.
6. The extension of joint operation on Okanagan Lake and vicinity and the general routing of Okanagan traffic.
7. In addition it is thought that economies may be effected by the elimination of unnecessary City Ticket, Freight, Telegraph and Express offices.
8. General question of the routing of Westbound grain from Alberta to the Pacific Coast.
9. As indicating previous action in the direction of co-operation in the building of branch lines, the attached agreement of February, 1929, is filed.

(Sgd.) A. E. WARREN,
Vice-President,
Canadian National Railways
Western Region.

(Sgd.) D. C. COLEMAN,
Vice-President,
Canadian Pacific Railway,
Western Lines.

EXHIBIT No. 93

EXHIBIT A.

Comparative Statement Submitted by Mr. T. H. Cooper, Comptroller, C.N. Ry.

SUPERINTENDENCE EXPENSE

	CANADIAN PACIFIC			CANADIAN NATIONAL			NORTHERN ALBERTA AND TORONTO TERMINALS			COMBINED		
	1930	1937	Reduction	1930	1937	Reduction	1930	1937	Reduction	1930	1937	Reduction
Maintenance of Way and Structures	1,371,601	1,344,180	27,421	3,940,898	2,849,300	1,091,598	45,903	54,284	8,381	5,358,402	4,247,764	1,110,638
Maintenance of Equipment	696,432	705,719	9,287	2,009,670	1,258,198	751,472	9,826	9,916	90	2,715,928	1,973,833	742,095
Traffic	1,204,616	1,228,174	23,558	2,214,273	1,561,851	652,422	7,140	7,494	354	3,426,029	2,797,519	628,510
Transportation	2,454,481	1,875,350	579,131	4,101,523	2,862,946	1,238,577	40,249	38,832	1,417	6,596,253	4,777,128	1,819,125
General—General Officers	517,197	360,441	156,756	1,103,967	400,081	703,886	29,794	19,450	10,344	1,650,958	779,972	870,986
Clerks and Attendants	1,929,353	1,867,512	61,841	4,016,992	3,039,955	977,037	53,162	35,467	17,695	5,999,507	4,942,934	1,056,573
Total	8,173,680	7,381,376	792,304	17,387,323	11,972,331	5,414,992	186,074	165,443	20,631	25,747,077	19,519,150	6,227,927
Index	100	100	p.c.	212.7	162.2	p.c.						
Percentage decrease			9.69			31.14						
Average operated road mileage	16,416	17,223		23,650	23,707							
Index	100	100		144.7	137.6							
Average Superintendence Expense per Road Mile	\$498	\$429		\$735	\$505							

EXHIBIT No. 93

EXHIBIT B

SUPERINTENDENCE EXPENSE—YEAR 1930

	Per Exhibit H	Total expense for railways operated separately	Estimated total for combined railways	Estimated net saving
		\$	\$	\$
Maintenance of Way and Structures.....	Page 423	5,358,402	2,865,423	2,492,979
Maintenance of Equipment.....	" 423	2,715,928	1,305,174	1,410,754
Traffic.....	" 424	3,426,029	2,102,117	1,323,912
Transportation.....	" 424	6,596,253	5,305,783	1,290,470
General—General Officers.....	" 425	1,650,958	973,519	677,439
Clerks and Attendants.....	" 425	5,999,507	3,330,835	2,668,672
Total.....		25,747,077	15,882,851	9,864,226

EXHIBIT C

EXHIBIT No. 93
EMPLOYEES AND THEIR COMPENSATION
(Canadian Classification Groups 1-8)

Group	CANADIAN PACIFIC RAILWAY						CANADIAN NATIONAL RAILWAYS					
	1930			1937			1930			1937		
	Number of Em- ployees	Com- pen- sation	Average Com- pen- sation	Number of Em- ployees	Com- pen- sation	Average Com- pen- sation	Number of Em- ployees	Com- pen- sation	Average Com- pen- sation	Number of Em- ployees	Com- pen- sation	Average Com- pen- sation
1 Executives and General Officers and Assistants.....	328	2,143,242	\$ 6,534	226	1,532,123	\$ 6,779	476	3,524,679	\$ 7,405	279	1,843,946	\$ 6,609
2 Division Officers.....	430	1,629,041	3,788	396	1,365,054	3,447	741	2,724,239	3,676	522	1,728,099	3,311
3 Assistant Engineers and Draughts- men.....	399	716,598	1,796	128	280,239	2,189	883	1,678,315	1,968	407	855,351	2,102
4 Other Miscellaneous Officials.....	650	1,723,746	2,652	646	1,703,958	2,638	1,114	2,859,288	2,567	894	2,181,032	2,440
5 Clerks.....	7,305	10,462,172	1,432	5,859	8,282,924	1,414	11,561	17,274,516	1,494	8,762	13,005,591	1,484
6 Telephone Switchboard Operators.....	82	82,283	1,003	80	75,950	949	184	167,257	909	157	142,951	911
7 Office Boys, Messengers, Attendants and Miscellaneous Trade Workers.....	600	414,857	891	488	341,975	701	652	517,829	794	475	381,230	803
8 Watchmen, Janitors and Cleaners.....	562	386,998	689	536	300,501	513	724	630,551	871	472	426,687	904
Total Groups 1-8.....	10,356	17,558,837	1,696	8,409	13,882,724	1,651	16,305	29,376,674	1,802	11,968	20,564,887	1,718
Index.....		100			100			167			148	
Percentage decrease.....					29.94%						30%	
Total Payroll.....		108,090,000			79,105,443			159,980,994			117,804,769	
Percentage Total Groups 1-8 to Total Payroll.....		16.24%			17.55%			18.36%			17.46%	

RAILWAY CONDITIONS

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RE PROPOSED ECONOMIES BASED ON UNIFICATION, AS SUBMITTED TO THE ROYAL COMMISSION ON TRANSPORTATION BY E. W. BEATTY, K.C., PRESIDENT OF THE CANADIAN PACIFIC RAILWAY,
FEBRUARY 8, 1932—RAILWAY OPERATING EXPENSES

EXHIBIT No. 93

Actual Expenses Years 1930 and 1937

	Canadian Pacific			Canadian National System (From Printed Annual Reports)			Northern Alberta and Toronto Terminals (From Annual Reports)			Total Combined Railways Operated Separately		
	1930	1937	Decrease 1937 in italics	1930	1937	Decrease 1937 in italics	1930	1937	Decrease 1937 in italics	1930	1937	Decrease 1937 in italics
MAINTENANCE OF WAY AND STRUCTURES												
Superintendence.....	1,371,601	1,344,180	<i>27,421</i>	3,040,898	2,849,300	<i>1,091,598</i>	45,903	54,284	8,381	5,358,402	4,247,764	<i>1,110,638</i>
Track Maintenance.....	19,110,762	13,798,428	<i>5,312,334</i>	33,349,905	23,444,781	<i>9,905,124</i>	797,849	656,838	<i>141,016</i>	53,258,516	37,900,042	<i>15,358,474</i>
Station and Office Buildings.....	1,374,022	944,850	<i>429,162</i>	1,950,821	1,047,547	<i>903,274</i>	27,000	80,441	12,748	3,351,933	2,632,244	<i>719,689</i>
Shop and Engine Houses.....	736,809	808,066	<i>71,257</i>	1,529,484	1,154,563	<i>374,921</i>	9,027	8,441	<i>586</i>	2,275,320	1,971,100	<i>304,220</i>
Telegraph and Telephone Lines.....	994,754	479,231	<i>515,523</i>	1,403,356	1,556,811	<i>153,455</i>	19,211	13,013	<i>6,198</i>	2,417,321	2,049,055	<i>368,266</i>
Removing Snow, Ice and Sand.....	1,007,880	1,045,026	<i>37,146</i>	1,706,290	1,476,366	<i>229,924</i>	12,662	14,433	<i>1,771</i>	2,726,832	2,535,825	<i>191,007</i>
Other.....	2,806,484	2,378,693	<i>427,791</i>	3,996,904	3,111,902	<i>885,002</i>	64,351	61,004	<i>3,347</i>	6,857,735	5,551,656	<i>1,306,080</i>
	27,402,312	20,798,483	<i>6,603,829</i>	47,877,658	35,241,300	<i>12,636,358</i>	976,093	847,906	<i>128,187</i>	76,256,063	56,887,689	<i>19,368,374</i>
MAINTENANCE OF EQUIPMENT												
Superintendence.....	696,432	705,719	<i>9,287</i>	2,009,670	1,258,198	<i>751,472</i>	9,826	9,916	90	2,715,928	1,973,833	<i>742,095</i>
Shop Machinery.....	1,329,718	1,141,461	<i>188,257</i>	1,545,890	1,320,377	<i>225,513</i>	9,588	3,376	<i>6,212</i>	2,885,166	2,455,214	<i>419,952</i>
Steam Locomotives—Repairs.....	9,838,559	7,814,238	<i>2,024,321</i>	16,766,541	12,725,309	<i>4,041,232</i>	90,000	75,336	<i>14,664</i>	26,715,100	20,614,883	<i>6,100,217</i>
Freight Train Cars—Repairs.....	10,188,380	6,939,574	<i>3,248,806</i>	15,498,465	12,546,801	<i>2,951,664</i>	22,910	13,781	<i>9,129</i>	25,079,755	19,500,156	<i>5,579,599</i>
Passenger Train Cars—Repairs.....	5,000,080	5,745,134	<i>745,054</i>	6,355,036	6,729,869	<i>374,833</i>	32,583	33,331	738	11,398,299	12,508,404	<i>1,120,105</i>
Work Equipment—Repairs.....	877,505	546,921	<i>330,584</i>	1,460,456	1,101,005	<i>359,451</i>	25,033	12,742	<i>12,291</i>	2,393,024	1,660,668	<i>732,356</i>
Equipment Retirements.....	2,827,532	5,597,197	<i>2,769,665</i>	2,464,157	6,488,141	<i>4,023,984</i>	20,388	.....	<i>20,388</i>	5,502,077	12,085,338	<i>6,583,261</i>
Other.....	386,853	395,597	<i>8,764</i>	3,001,528	2,289,243	<i>712,285</i>	4,568	6,923	<i>11,491</i>	3,392,920	2,677,917	<i>715,012</i>
	31,105,039	28,885,921	<i>2,279,118</i>	49,262,313	44,458,943	<i>4,803,370</i>	214,926	141,549	<i>73,377</i>	80,642,278	73,486,413	<i>7,155,865</i>
TRAFFIC EXPENSE												
Superintendence.....	1,406,025	1,228,174	<i>177,851</i>	2,214,273	1,561,851	<i>652,422</i>	7,140	7,494	<i>354</i>	3,627,483	2,797,519	<i>829,919</i>
All Agencies.....	5,023,802	3,785,092	<i>1,238,710</i>	3,179,330	2,215,728	<i>963,602</i>	1,857	.....	<i>1,857</i>	8,211,149	6,000,820	<i>2,210,329</i>
Advertising.....	2,800,073	1,821,941	<i>978,132</i>	1,821,517	579,990	<i>1,241,527</i>	933	.....	<i>933</i>	4,833,555	2,102,834	<i>2,730,721</i>
All Other.....	879,794	669,637	<i>210,157</i>	1,399,532	623,383	<i>776,149</i>	15,775	8,632	<i>7,143</i>	2,295,101	1,301,672	<i>993,429</i>
	10,275,856	7,204,804	<i>3,070,992</i>	8,605,652	4,980,922	<i>3,624,730</i>	25,735	17,059	<i>8,676</i>	18,987,243	12,202,845	<i>6,784,398</i>

EXHIBIT D—Continued

EXHIBIT No. 93—Continued

RE PROPOSED ECONOMIES BASED ON UNIFICATION, AS SUBMITTED TO THE ROYAL COMMISSION ON TRANSPORTATION BY E. W. BEATTY, K. C., PRESIDENT OF THE CANADIAN PACIFIC RAILWAY
FEBRUARY 8, 1932—RAILWAY OPERATING EXPENSES—Concluded

Actual Expenses Years 1930 and 1937—Continued

	Canadian Pacific			Canadian National System (From Printed Annual Reports)			Northern Alberta and Toronto Terminals (From Annual Reports)			Total Combined Railways Operated Separately		
	(1930 from Reports issued by Dom. Bureau) (1937 from Report to Dominion Bureau)	1930	Decrease— 1937 in italics	1930	1937	Decrease 1937 in italics	1930	1937	Decrease 1937 in italics	1930	1937	Decrease 1937 in italics
TRANSPORTATION RAIL LINE		\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
	Superintendence.....	2,454,481	579,191	4,101,523	2,862,946	1,238,577	40,249	38,832	1,417	6,596,253	4,777,128	1,819,125
	Dispatching Trains.....	1,235,475	490,998	1,508,596	1,128,578	380,018	13,841	12,199	1,642	2,757,912	1,955,324	802,588
	Station Service.....	12,767,558	8,090,208	18,473,087	14,281,256	4,191,831	424,321	317,510	106,811	31,664,976	24,276,116	7,388,860
	Yard Service.....	10,728,525	3,077,591	18,588,634	13,869,792	4,718,842	205,834	98,834	107,059	29,523,652	21,619,620	7,903,932
	Train Service.....	38,127,432	9,405,656	51,144,796	41,241,233	9,903,563	497,934	481,364	16,570	89,770,212	70,444,344	19,325,868
	Telegraph and Telephone operation.....	414,033	115,821	4,720,114	3,674,360	1,045,754	15,137	11,766	3,371	5,149,284	4,216,170	933,114
	Express Service.....	.....	.....	6,239,097	4,728,569	1,510,528	7,555	15,131	2,424	6,246,652	4,743,700	1,502,952
	Other.....	4,348,868	1,510,324	7,206,430	5,146,915	2,059,515	48,357	27,913	20,444	11,603,685	8,013,372	3,590,313
		70,076,372	17,967,936	111,982,287	86,933,849	25,048,438	1,253,367	1,003,539	249,828	183,312,026	140,045,774	43,266,252
GENERAL												
	Salaries and Expenses of General Officers.....	517,197	156,766	1,103,967	400,081	703,886	29,794	19,449	10,345	1,650,958	779,971	870,987
	Salaries and Expenses of Clerks and Attendants.....	1,929,353	61,841	4,016,992	3,039,955	977,037	53,162	35,467	17,695	5,999,507	4,942,934	1,056,573
	General Office Supplies and Expenses	170,319	189,706	599,781	209,105	390,676	4,706	4,080	616	774,806	402,901	371,905
	Law Expenses.....	279,886	46,866	553,326	327,210	226,116	2,930	2,530	400	846,142	562,760	283,382
	Insurance.....	362,829	359,943	835	.....	.....	96	39	57	363,760	2,925	360,835
	Pensions.....	2,374,209	2,374,209	2,158,117	3,865,732	1,707,615	128	13,813	13,685	2,158,245	6,253,754	4,095,509
	Stationery and Printing.....	155,071	158,534	171,351	123,418	47,933	3,348	1,918	1,427	329,767	283,570	46,197
	Other Expenses.....	637,665	210,193	524,439	294,329	229,910	1,888	748	1,090	1,163,782	722,570	441,193
	General Joint Facilities—Net Dr.	17,081	6,008	20,509	11,716	8,793	89	.....	85	37,675	22,782	14,893
	Other.....	26,112	26,112	138,006	54,868	83,138	.....	.....	.....	164,118	54,508	109,610
		4,095,353	1,529,338	9,297,323	8,326,254	971,069	96,084	77,754	18,330	13,438,700	14,028,699	539,939

ALL OTHER EXPENSES

Dining and Buffet Car Service.....	2,227,656	1,230,764	996,892	2,513,422	1,213,314	1,500,108	25,221	13,978	11,243	4,766,299	2,455,056	2,403,243
Restaurants.....	294,039	179,380	114,659	.....	10,010	10,019	243,031	156,303	86,783	537,070	345,702	191,853
Grain Elevators.....	118,284	61,485	56,799	63,344	32,144	\$1,800	.....	.....	.....	181,628	93,629	87,999
Producing Power Sold.....	.....	18,434	18,434	23,667	.....	23,667	176,071	.....	176,071	199,738	18,434	181,804
Transp. for Investment—Cr.....	.....	186,584	186,584	1,432,801	443,526	989,476	74,879	7,915	66,364	1,507,080	636,774	870,305
Other.....	3,071	714,882	711,811	35,158	35,438	280	.....	.....	.....	38,229	750,320	712,091
	2,643,050	2,019,411	623,639	1,202,790	847,590	555,800	370,044	162,366	207,678	4,215,884	3,029,367	1,186,517
SUMMARY												
Maintenance of Way and Structures.....	27,402,312	20,798,483	6,603,829	47,877,658	35,241,300	12,639,358	976,093	847,906	123,187	76,256,063	56,887,689	19,353,874
Maintenance of Equipment.....	31,165,039	28,885,921	2,279,118	49,262,313	44,458,943	4,803,370	214,926	141,549	73,877	80,642,278	73,486,413	7,166,865
Traffic.....	10,275,856	7,204,864	3,070,992	8,665,652	4,980,922	3,684,780	25,735	17,059	8,676	18,967,243	12,202,845	6,764,893
Transportation—Rail Line.....	70,076,372	52,108,386	17,967,986	111,982,287	86,933,849	25,048,458	1,253,367	1,003,539	249,828	183,312,026	140,045,774	43,266,252
Transportation—Water Line*	1,029,035	427,785	601,250	9,297,323	8,326,254	971,069	96,084	77,754	18,390	1,029,035	427,785	601,250
General.....	4,095,353	5,624,691	1,529,338	1,202,790	847,590	555,800	370,044	162,366	207,678	13,488,760	14,028,699	539,839
All Other.....	2,643,050	2,019,411	623,639	1,202,790	847,590	555,800	370,044	162,366	207,678	4,215,884	3,029,367	1,186,517
	146,687,017	117,069,541	29,617,476	228,238,023	180,788,858	47,499,165	2,836,249	2,250,173	686,076	377,911,289	300,108,572	77,802,717

*Shown in Summary only.

EXHIBIT No. 93—Concluded

RE PROPOSED ECONOMIES BASED ON UNIFICATION, AS SUBMITTED TO THE ROYAL COMMISSION ON TRANSPORTATION
BY E. W. BEATTY, K.C., PRESIDENT OF THE CANADIAN PACIFIC RAILWAY, FEBRUARY 8, 1932

Passenger train and car miles and freight train and car miles—Years 1930 and 1937

	Year 1930				Year 1937				Decrease in 1937—			
	Passenger		Freight		Passenger		Freight		Passenger		Freight	
	Steam Train Miles	Motor and Car Miles	Freight, Mixed and other Train Miles	Freight Car Miles	Steam Train Miles	Motor and Car Miles	Freight, Mixed and other Train Miles	Freight Car Miles	Steam Train Miles	Motor and Car Miles	Freight, Mixed and other Train Miles	Freight Car Miles
Actual Mileage—												
C.P.R.	21,197,190	89,942,157,202,581	25,366,468	824,920,321,16,017,542	520,750	123,799,117,21,155,738	760,471,061	5,179,648	430,808	33,403,461	4,210,730	64,446,260
C.N.R.	25,418,825	1,490,256,189,414,923	32,101,275	1,186,853,854	17,778,731	1,506,528	29,858,278	1,098,233,328	16,272	54,763,169	2,242,997	88,620,556
N.A.R.	150,713	1,640,861	317,101	8,946,632	132,470	1,466,567	389,980	10,515,153	18,243	174,294	72,879	1,568,521
Total Actual Mileage	46,766,728	1,580,198,348,258,365	57,784,844	2,020,720,837,928,743	2,027,278	259,917,438	51,403,996	1,869,222,542	447,080	88,340,927	6,380,848	151,498,295

SOURCES:

Canadian Pacific Railway	1930 from reports to Dominion Bureau of Statistics.
"	1937 from printed Annual Report.
Canadian National Railways	from printed Annual Reports.
Northern Alberta Railways	from reports to Dominion Bureau of Statistics.

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